"Two additional laws enacted in 1917 had important significance in the development of contract practice. The first of these gave legal approval to the corporate practice of medicine by authorizing the organization of hospital associations. A few associations had been operating for many years, undoubtedly in violation of the Medical Practice Act, which limited the practice of medicine to natural persons, who could qualify under the standards provided in the Act. The second law enacted in 1917 was an act authorizing employers to deduct "reasonable" amounts from the wages of their employees for the purpose of providing them with medical care in sickness and injury."

The report noted that hospitals and doctors were drawn to contract practice because of the irresponsibility of the low income wage group to pay their medical and hospital bills. As part of this exhibit there is a Preliminary Report No. 2 of the Committee on Medical Economics of the Oregon State Medical Society submitted to the Council, April 2, 1938.

Plaintiff's Exhibit 665

5297 PROCEDURE FOR HEARINGS OF CHARGES OF UNETHICAL PRACTICE

The Constitutions and By-laws of the various county societies vary somewhat, and therefore precedure followed in one county may not apply to others. But the provisions are sufficiently similar to those of the Multnomah County Society so that the procedure followed there may be instructive to other county societies.

The applicable provisions of the Multnomah Society are as follows:

Sec. 6. By Laws. "Charges and punishment. A member who is guilty of a criminal offense or of gross misconduct either as a physician or citizen, or who violates any of the provisions of the Constitution and By-Laws, shall be liable to censure, suspension, or expulsion. Charges against a member must be in writing and delivered to the Secretary, who shall immediately furnish a copy to the accused and to the chairman of the Board of Censors. The Board of Censors shall investigate the charges on their merits, but no action

shall be taken by the Board of Censors before giving the accused and accusers ample opportunity to be heard. Nor shall any action be taken by the Board of Censors within ten days of the presentation of the charges to the accused. The Board of Censors shall present its conclusions to the Council in the form of a recommendation (1) that the charges are not sustained; or (2) that the charges are sustained and that the accused be (a) censured; (b) suspended for a definite time, or (c) expelled. The Council shall then give the matter formal consideration without unnecessary delay; censure or suspension shall require a two-thirds vote of the members of the Council, and a three-fourths vote shall be required to expel a member. The action of the Council shall be final."

Sec. 7. By Laws. "Conciliation. Kindly efforts in the interest of peace, conciliation or reformation, so far as possible or expedient, shall precede the filing of formal charges affecting the character or standing of a member, and it shall be the duty of the Board of Censors to promote this end by making a preliminary examination into the merits of the case, and the accused shall be given opportunity to be heard in his own defense, in all trials and proceedings of this nature."

5298 It will be noted that these provisions require at at least three hearings—(1) preliminary investigation before Board of Censors, (2) hearing after filing of formal written charges, before Board of Censors, and (3) hearing before the Council on the recommendations of the Board of Censors.

The Society has appointed a Grievance Committee of three members with broad powers and duties. It is required to investigate all charges of unethical conduct, and file formal charges where necessary, and represent the society in hearings before the Board of Censors and the Council.

The following is a summary of the procedure actually taken in one case, which happened to be a case where a doctor was employed by a hospital association which allegedly used solicitation, advertising, etc. to obtain patients:

The Grievance Committee made an investigation, and wrote a letter to the Secretary of the Society stating the evidence of unethical practice received, and asking that a

preliminary investigation on the merits be had before the Board of Censors.

The Secretary of the Society communicated with the Board of Censors, and the Board wrote the following letter to the doctor:

> "The Multnomah County Medical Society has received information which appears to indicate that the contract practice engaged in by you in connection with the.....Association is conducted in a manner which is in violation of the Principles of Medical Ethics of the American Medical Association.
>
> It is felt that an investigation of this matter should be made, for the good of all concerned.
>
> At a meeting of the Board of Censors to be held in the auditorium of the Medical-Dental Building on the .....day of ....., 1936, at 9:00 o'clock P. M., the Board will make an investigation of this matter. This letter is to give you notice of the meeting, and an opportunity to be heard.

5299 "No formal charges have been preferred. The investigation at this meeting will be informal and will be conducted in accordance with Section 7 of Chapter I of the By-laws of the Society which reads as follows:

> Conciliation. Kindly efforts in the interest of peace, conciliation or reformation, so far as possible or expedient, shall precede the filing of formal charges affecting the character or standing of a member, and it shall be the duty of the Board of Censors to promote this end by making a preliminary examination into the merits of the case, and the accused shall be given opportunity to be heard in his own defense, in all trials and proceedings of this nature.

"Your cooperation in the discussion of your contract practice will do a great deal to clear up any possible misconception concerning its nature and effect."

A meeting of the Board was held, at which the doctor was present. The conduct of the doctor was not sufficiently explained, and he refused to sever his connections with the hospital association.

Then the Grievance Committee addressed the following formal charges to the Secretary, who transmitted them to the Board of Censors:

"We have carefully examined certain evidence presented to us regarding the contract practice of the ..... Hospital Association and that of Dr. ..... in connection with that association.

It therefore becomes our duty as the duly appointed Grievance Committee of our society to prefer the following charges against Dr. .....:

1. That he is associated with the ..... Hospital Association of Portland, Oregon.

2. That the ..... Hospital Association and Dr. ..... are engaged in the contract practice of medicine in such manner as to violate Chapter III, Article VI, Section 2, of the Principles of Medical Ethics of the American Medical Association, in that

   (a) The manner of conducting their practice, and its tendency and effect, is such as to prevent free choice of physician;

   (b) The contract practice engaged in, and its practical results, are contrary to sound public policy.

3. That the ..... Hospital Association and Dr. ..... have violated Chapter III, Article I, Section 4 of the said Principles of Medical Ethics, in that—

5300 (a) They issue circulars and solicit patients, either directly or indirectly by advertisements and personal communications;

   (b) They procure patients by indirection through solicitors or agents.

4. That Dr. ..... has violated Chapter III, Article VI, Section 4 of the said Principles of Medical Ethics in that he disposes of his professional attainments or services in such manner as to permit a direct profit from the fees, salary or compensation received to accrue to the ..... Hospital Association and its stockholders, one of whom is a layman."

A copy of the charges was also sent by registered mail to the accused doctor, more than ten days before a meeting

of the Board of Censors which considered the charges. The Chairman of the Board of Censors notified the accused of the meeting to consider the charges.

The accused doctor attended this meeting. The Grievance Committee presented the evidence gathered, including copies of the contract, advertisements and prospectuses of the Association and other evidence. The accused doctor presented his evidence. The Board then went into executive session, and passed the following resolution:

"It is the sense and conclusion of the Board of Censors and the Board recommends to the Council that:

(1) The charges filed by the Grievance Committee against Dr. ..... have been sustained.

(2) Dr. ..... be expelled from the Society.

(3) A copy of this resolution be transmitted forthwith to the Council."

The Chairman of the Board then wrote the following letter to the Council:

5301 "The Board of Censors of the Multnomah County Medical Society held a meeting on ....., 1936, to consider certain charges filed against Dr. .....

A copy of the charges against Dr. .....is enclosed herewith.

Previously the Board had held a meeting for the preliminary investigation of the contract practice of Dr. ..... Dr. ..... was duly notified of the meeting at which this preliminary investigation was made but he did not appear.

At its meeting on ....., 1936, the Board had certain evidence presented to it in regard to the charges, a transcript of which is herewith transmitted to the Council. Dr. ..... likewise did not appear at this meeting but sent a written statement to the Board. This statement is set out in full in the transcript.

After considering the evidence, it became the duty of the Board of Censors, under the Constitution and By-Laws of the Society, to make a recommendation to the Council in regard to the charges.

The Board of Censors accordingly duly considered the charges and the evidence presented to it, and passed the following resolution:

"It is the sense and conclusion of the Board of Censors and the Board recommends to the Council that:

(1) The charges filed by the Grievance Committee against Dr. ..... have been sustained.

(2) Dr. ..... be expelled from the Society.

(3) A copy of this resolution be transmitted forthwith to the Council.

The Board is now transmitting the resolution to the Council as the Board's recommendations for the consideration of the Council."

The Chairman of the Board also wrote to the accused doctor telling him of the recommendation. The Council of the Society then wrote the following letter to the accused:

"The Council of the Multnomah County Medical Society has received a communication from the Board of Censors concerning a meeting of the Board held on ....., 1936, at which it considered certain charges of unethical contract practice against you.

"The resolution adopted by the Board as its recommendation to the Council in regard to these charges has also been received by the Council for its consideration, together with a transcript of the evidence presented to the Board at its meeting of November 20, 1936.

Under the By-Laws of the Society, it becomes
5302 the duty of the Council to give this matter formal consideration without unnecessary delay.

This letter is to give you notice that a meeting of the Council will be held in the auditorium of the Medical-Dental Building on ....., 1936 at 8:30 o'clock P.M., to give formal consideration to the charges files against you by the Grievance Committee on ....., 1936, and to the recommendation of the Board of Censors adopted at its meeting of ....., 1936.

At that time you will be given a full opportunity to heard."

On the date specified the Council met to consider the charges. The evidence presented at the meetings of the Board of Censors was examined, together with other evidence. The Council then voted to accept the recommendations of the Board of Censors, and expel the accused doctor, and communicated this decision to the accused and the Secretary of the State Society. The accused was also informed of his right to appeal to the Council of the State Society and the A.M.A.

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It may seem that this procedure is cumbersome and stultified. But it must always be borne in mind that one of the major protections of the Society in carrying out disciplinary action is following out the letter of the constitution and by-laws.

Some Suggestions on Disciplinary Action

1. Every case heard will probably present new problems. The accused should be given every reasonable opportunity to present his defense, and the Society should stretch its procedure to be as fair as possible.

Where by-laws provide for *conciliation,* the Society should make every effort to conciliate. Conciliation does not mean compromise, however, and the Society is not required to condone some unethical conduct in return for a member's promise to abandon other unethical conduct.

5303 2. It should always be borne in mind that what is contemplated is a hearing upon the ethical practice of an *individual.* No action may be taken against a group outside of the medical profession, such as hospital associations. The Society is limited to disciplining its own members.

3. Personal animosity or bias should be absolutely avoided. If there is anyone on the Board of Censors or other official committee with a bias against the accused, he should not function.

4. The Society in undertaking disciplinary action is always faced with the possibility of a lawsuit by alleged injured persons. It is human nature to want to eat your cake and have it too. In disciplinary action, the accused doctor might accuse certain doctors of conspiring to injure him, or of libelling him. If the Society acts in good faith, without

proceedings, although the Multnomah Society has allowed any combination to injure and without maliciousness, and keeps the proceeding locked within its own members, there is little chance of a recovery in a conspiracy or libel action.

5. The members of the Board of Censors, Council, etc. should be checked accurately to determine whether they are members in good standing.

6. Notices of meetings should be in strict accord with constitution and by-laws.

7. Accurate minutes should be kept.

8. Admissibility of evidence is not governed by strict legal rules, but an effort should be made to get the best evidence available on each accusation.

9. Attorneys should not be permitted to take part in the an attorney representing the accused to sit in on the hearings.

5304 10. Check your constitution and by-laws thoroughly and get the entire procedure clear in your minds before acting.

* * *

The State Society and its officers always stands ready to assist a local society, and to advise on any aspects of disciplinary action. In fact, in some instances, it becomes the duty of the State Society to see that disciplinary measures are taken. I hope the above discussion of procedure may be of some benefit to your county society.

OREGON STATE MEDICAL SOCIETY

By .....

President

Plaintiff's Exhibit 666

5305 OREGON STATE MEDICAL SOCIETY

Mid-Year Session of the House of Delegates

Minutes

The mid-year session of the House of Delegates of the Oregon State Medical Society was held on Saturday, June 25, 1938, in the auditorium of the Medical-Dental Building, in Portland.

The meeting was called to order at 9:00 A.M., by Dr. Charles T. Sweeney, president.

Dr. Sweeney announced that the Council had recommended that the meeting be conducted in executive session. Upon motion duly made and seconded, it was voted to go into executive session and that the attendance be limited to members of the House of Delegates and invited guests. The president appointed a Credentials Committee, composed of the following men: George E. Henton, chairman; Noble Wiley Jones and Louis P. Gambee.

The Committee on Credentials reported that the following members of the council were present: Drs. Thompson Coberth, Sixth District; Blair Holcomb, First District; L. S. Kent, Councilor-at-Large; J. C. Hayes, Fourth District; Charles E. Hunt, Third District.

The Committee on Credentials reported that the following duly accredited Delegates were present: V. E. Hockett, Polk-Yamhill-Marion County Medical Society; B. G. Bailey, Southern Oregon Medical Society; E. L. Landers, Eastern Oregon District Medical Society; W. T. Edmundson, Yamhill County Medical Society; C. W. McCain, Mid-Columbia Medical Society; Noble Wiley Jones, Multnomah County Medical Society; George E. Henton, Multnomah County Medical Society; P. A. Loar, Polk-Yamhill-Marion County Medical Society; H. R. Kaufman, Lincoln County Medical Society; Harry B. Moore, Multnomah County Medical Society; B. O. Woods, Multnomah County Medical Society; Stanley Lamb, Multnomah County Medical Society; Howard C. Stearns, Multnomah County Medical Society; G. S. Beardsley, Lane County Medical Society; Roy A. Payne, Multnomah County Medical Society; F. L. Ralston, Eastern Oregon District Medical Society; M. A. Howard, Multnomah County Medical Society; C. O. Sturdevant, Multnomah County Medical Society; E. H. Kelley, Benton County Medical Society; Edwin R. Durno, Jackson County Medical Society; G. H. Strickland, Clackamas County Medical Society; John G. Cheetham, Multnomah County
5306 Medical Society; Howard P. Lewis, Multnomah County Medical Society; John C. Barton, Columbia County Medical Society; C. H. Manlove, Multnomah County Medical Society; E. E. Gambee, Multnomah County Medical Society; Louis P. Gambee, Multnomah County Medical Society; J. E. Buckley, Multnomah County Medical Society; O. M. Nisbet, Multnomah County Medical Society; Merle W. Moore, Multnomah County Medical So-

ciety; William A. Shea, Multnomah County Medical Society;

The Committee on Credentials reported the following Ex-Officio members present: Charles T. Sweeney, President; Charles E. Sears, President-Elect; John H. Fitzgibbon, Delegate to the American Medical Association; W. F. Hollenbeck, Treasurer; Ralph A. Fenton, Trustee of the American Medical Association; Morris L. Bridgeman, Secretary; and Richard B. Adams, Second Vice-President.

Motion duly made and seconded, it was voted to dispense with the reading of the minutes of the last session, the same having been printed in the December, 1937, issue of Northwest Medicine.

Dr. John H. Fitzgibbon reported on the proceedings of the House of Delegates of the American Medical Association at the 1938 meeting. He referred to the address read at the meeting, which address was prepared by Josephine Roche, giving the findings of the Government survey, which showed that one-third of the population is ill-fed, ill-housed, ill-clothed and lacked adequate medical care. It was brought out that such a situation could not prevail much longer and was mentioned that groups with knowledge of the situation should plan for more adequate care of this group.

Dr. Fitzgibbon reported that he had served as a member of the Reference Committee on the Report of the Board of Trustees at the recent meeting of the American Medical Association, and that he had an opportunity to discuss with Dr. De Kleine, of the American Red Cross, the matter of chiropractors giving first aid instruction under the auspices of the local chapters of the Red Cross. He reported that Dr. De Kleine had stated that such a practice was contrary to the policies of the American Red Cross, which provide that first aid instruction is to be given by qualified doctors of medicine. He stated that Dr. De Kleine had called representatives of the Lane County Chapter on the telephone concerning their appointment of a chiropractor in that capacity, and that this appointment would be cancelled. Dr. Fitzgibbon stated that Dr. De Kleine had expressed a willingness to correct other occurrences of this kind as soon as they are called to his attention.

Dr. Fitzgibbon stated that Dr. De Kleine appeared before the Board of Trustee to discuss the fees of physicians who render service to the Red Cross in time of disaster. He said that Dr. De Kleine reported that there had been

some abuse in this connection, particularly following the Ohio flood last year. He stated that Dr. De Kleine had requested the Board of Trustees to establish a fee schedule for such services, but that the Board had concluded that such action would be unwise. He stated that the Board had recommended to Dr. De Kleine that the local chapters of the American Red Cross cooperate with the state and local medical societies in developing plans for relief in disaster, and that medical care in such instances be, for the most part, rendered on a gratuitous basis except in unusual cases, in which case, the matter of fees should be worked out by agreement between the local chapter of the American Red Cross and the local medical society.

Dr. Fitzgibbon reported that a proposal was made in the House of Delegates that a committee be appointed to study the principles of medical ethics with a view of modifying certain of its features to bring it into more complete consonance with present day conditions. He stated that this proposal had been referred to the Judicial Council which reported that the Principles of Medical Ethics consist of fundamental principles which are always true and that no changes should be made in them. He stated that the Judicial Council further pointed out that it would be unwise to attempt to lay down detailed rules to treat various specific situations and that each situation should be worked out by applying the general principles contained in the code. He stated that the House of Delegates had unanimously adopted the report of the Judicial Council on this subject. Dr. Fitzgibbon stated that all actions of the House of Delegates were unanimous. He stated that this unanimity did not indicate that there was a lack of opportunity for discussion, but was due to the efficiency of the Reference Committees to which all business was referred, and to the fact that these Reference Committees had open hearings at which any Fellow of the Association could appear to present his point of view.

Dr. Fitzgibbon reported that the New Jersey delegation brought in a resolution providing that Dr. Morris Fishbein, Editor of the Journal and Hygeia, must limit his activities to his work with the association. He stated that it was brought out that Dr. Fishbein's articles in the newspapers,

his books, and his addresses before lay groups and
5307 over the radio were an essential part of his activities
and the fact that Dr. Fishbein is compensated for these activities by outside organizations saves the American

Medical Association the necessity of doing so. Dr. Fitzgibbon stated that the House of Delegates rejected the New Jersy resolution.

Dr. Fitzgibbon reported that the name of the Committee on the Study of the Need and Supply of Medical Care had been changed to the Committee on Medical Care and that it seemed likely that this committee, in conjunction with the Bureau of Medical Economics would carry on a more or less continuous study of the demand and supply of medical care.

Dr. R. G. Leland, Director of the Bureau of Medical Economics, American Medical Association, addressed the House, outlining the survey of the Need and Supply of Medical Care, now being conducted in Oregon.

Dr. Morris L. Bridgeman read the report of the Council, giving a summary of the proceedings since the last meeting of the House of Delegates.

Dr. Fitzgibbon moved that a Reference Committee be appointed to study the report of the Council and bring a supplementary report and recommendations, if any, to the House of Delegates at the annual meeting. Motion was duly seconded and carried. The following committee was appointed: Louis P. Gambee, chairman, M. A. Howard, Noble Wiley Jones, P. A. Loar and G. H. Strickland.

President Sweeney asked for discussion of charters for the component county medical societies, reminding the House that a new form of charter was adopted by the Council recently.

Dr. Hayes asked if it is necessary that all members of the component county societies be members of the state society before they may receive a charter. He expressed the opinion that by 1939 each member of the component medical societies should be required to be a member of the Oregon State Medical Society unless he is financially unable to pay the annual dues.

Dr. Kent stated that the saving which members are making in their liability insurance, under the Society's arrangement with the Metropolitan Casualty Insurance Co., almost equals the cost of membership, and that if this and other benefits of membership were called to the attention of the members of the component Societies,
5308 most of them would become members of the state society.

Dr. Fitzgibbon stated that each physician is receiving the benefits of the activities of the American Medical Association and the Oregon State Medical Society irrespec-

tive of whether he is a member. He asked the question as to what would happen if the medical profession had no American Medical Association, state or county medical societies. He further stated his opinion that the House of Delegates should go on record as recommending that all members of local societies should, of necessity, pay their state membership dues to the local society at the time of payment of local dues.

Dr. Hunt stated that the By-laws of the Lane County Medical Society had been changed to meet this requirement already, and that they have a one hundred per cent membership of the eligible men.

Motion having been made and seconded, it was voted that the Delegates introduce this question to their local societies and take the matter up further at the annual session.

President Sweeney requested discussion of the post-graduate work, as mentioned in the report of the Council, and asked Dr. Bridgeman to tell the House something of the plans for the coming meeting.

Dr. Bridgeman stated that there will be four guest speakers at the annual session and that there will be round-table discussions at noon and evening, these discussions to be divided into specific subjects. He further stated, in connection with post-graduate work, that it is hoped that in the near future a group of physicians will be able to visit the different districts, giving papers and carrying on post-graduate work.

With reference to the annual meeting, Dr. Bridgeman, also stated that it has been decided to charge a registration fee of $10.00 to those in attendance who are residents of the state but non-members of the society.

Dr. Kelly read a letter to the Delegates, which letter had been sent to one of his patients, and which originated at the Oregon State Board of Health. The letter advised new parents that the birth of their baby had been recorded, and further advised them to call on the Division of Maternal and Child Health if at any time they were in need of guidance as to the care of feeding of the child. The birth certificate was included with the letter.

5309 It was voted that the matter of the wording of this letter, referring parents to the Board of Health instead of the family physician, be turned over to the Executive Committee with the request that they take it up with Dr. Stricker, by whom the letter was signed.

At this point the meeting was adjourned for a five minute recess.

President Sweeney again called the meeting to order, and called for a report from the Committee on Medical Economics.

Dr. Thompson Coberth stated that he had a suggestion to make at this time. He stated that he felt it would be a fine thing if each Councillor would bring with him to the Council meetings, one or more members of the local societies that they might become familiar with the manner in which the business of the Society is carried on at such meetings, thus bringing about a closer unity of the entire profession in the state.

Dr. Coberth then made a few statements relative to the work of the Committee on Medical Economics, of which he is chairman, and stated that the committee had felt that the task set before them was well worthy of attack. He outlined the methods used by the committee in making their study of the contract practice situation in Oregon, stating that questionnaires had been sent to physicians, employers, hospital associations, and that various individuals had been interviewed. He also brought out that the plan as submitted in the report, contained only the screenings of the study, and was lacking in many details which could later be worked out. He stated that report No. of the committee on Medical Economics represented the report as presented to the last session of the House of Delegates, and requested that Dr. Richard Adams read reports No. 2, No. 3, and No. 4.

Dr. Richard Adams read reports No. 2, No. 3, and No. 4 of the Committee on Medical Economics.

The meeting was adjourned for the noon recess at 12:00 o'clock.

The meeting was again called to order by President Sweeney at 2:00 P. M.

Dr. Richard Adams advised the House that the press had contacted him during the noon recess, requesting information as to the purpose of the meeting. He
5310 stated that he had advised them to contact Mr. Foley later in the afternoon. After some discussion, it was decided that Mr. Foley should advise them that Dr. Leland had met with the House of Delegates to discuss the survey of the Need and Supply of Medical Care in Oregon.

President Sweeney called for a discussion of the reports of the Committee on Medical Economics, which reports had recommended and outlined a plan for a statewide

corporation to handle prepaid medical care for the low-wage earner.

Motion was made by Dr. Hunt that the committee be offered thanks for the excellent work they had done, and the matter be referred to the Council for study before the next meeting of the House of Delegates, inasmuch as the Delegates required time to study the reports before voting on the question. The motion was seconded.

Dr. Sears stated that the committee appointment was the outgrowth of a feeling in the Council for the past three years that it was necessary for the State Society to take some action to formulate policies and to assist the local component societies in the state in handling the problems of contract practice. He reminded the House that the committee was continued, after the last meeting at Salem, in an enlarged scope with the idea of studying medical economics and that the report of this committee had been based on those instructions. He stated that the committee had had the hardest work of any ever in the State Society and that they had gone far and wide to secure information. He expressed his opinion that their report should be given some discussion at this meeting, since it is a matter of great importance, requiring action as soon as possible. He stated that there were arguments in favor of such a plan and also there were weaknesses in it which the committee did not have time to go into and discuss. He suggested that it be analyzed by the Council and that the Delegates go home to their local societies and discuss it thoroughly with them.

Dr. Goberth suggested that the matter be thrown to an open meeting before a vote was taken, and that the men ask any questions they might have in mind, as the committee came prepared to clarify all points to the best of their ability.

Dr. Jones stated that he felt entirely too uninformed as to the details of the entire plan to be able to ask intelligent questions. He stated that he would want to spend several hours studying the reports before taking part in any discussion.

5311 At this point Dr. Fitzgibbon suggest that Dr. Leland had had more experience with this type of scheme than anyone else present and requested that he express his personal opinion, advising if he felt there really exists a need for some type of action, or if the profession is imagining things.

Dr. Leland stated that it was his personal opinion that the plan, as outlined by the Committee, should not be

adopted. He reminded the House of the rapidly changing conditions, and stated that he felt that such work should be carried on by the local societies, rather than to literally put all the eggs in one basket. He also stated that in having the local societies form separate organizations, it would be easier to fit them to meet the needs of the different sections throughout the state. He expressed the opinion that it would be practically impossible to work out a plan that would be successful in all sections and have it centrally located. He further stated that the more centralized the control of medical practice becomes, the more it tends toward a medical dictatorship. He suggested that the plan be used experimentally under each local society.

Dr. Coberth reminded the House that the State of Oregon is different from any other state in the Union. He stated that one-third of the population of Oregon resides in Portland and that medical men have always looked to Portland for guidance, which guidance has not always been correct, and has caused some discontent. He further stated that fundamentally, this statewide scheme is to reunite the state and Portland as a medical whole. He brought out his opinion that anything that can be done successfully by a commercial organization can be done by the medical profession. He also reminded the House that local hospital associations have been tried by some of the component societies, and some have failed.

Dr. Adams stated that it might be helpful to explain the manner in which the committee arrived at its conclusions. He explained that they had closed their eyes to shut out any bias in the situation and made a factual study. He stated that the information was difficult to get and that they had tried to get information from all parts of the state, and that the members of the committee were quite frank in outlining the shortcomings in their own communities.

He stated that the committee saw what appeared to be a demand, that is constantly increasing and being responded to, for prepaid medical service and ex-
5312 pressed an opinion that it is likely to continue to increase. He added that it may be possible that the committee is unduly alarmed about this matter, and also about an invasion of medicine by the government, but that they could only judge from the information on hand.

Dr. Adams then read a letter from the government requesting medical care for rehabilitated farmers. However, inasmuch as the letter did not request that a plan be sub-

mitted by the Society, such a plan was not made. Dr. Adams stated that the government had now submitted their own plan to the Society, due to the fact that the Society had not offered one.

Dr. Fitzgibbon stated that it was acknowledged that we have and are going to have prepaid medical care in Oregon, but the actual question to be considered at this time is: do we want it controlled by the local societies, or do we want a centralized statewide plan operated as outlined by the committee. He stated for the information of those men not residing in Portland, that a centralized plan, would of necessity be located in Portland and run by Portland men.

President Sweeney, called on Dr. Henton, as a member of the committee, to give his views on the subject. He stated that he had practiced both in the city and in the rural districts, and knows conditions in both places. He stated the opinion that the mutual system could be studied and a corporation established that would coordinate the good points of that type of system and eliminate the bad one, thus working out a workable system. He also expressed the opinion that the profession should get together on a common ground, forgetting personalities, meeting each other half way, in an effort to build up the power of the State Society through the state, and that such an organization would go a long way toward this goal. Also, he suggested that the House of Delegates have a substitute plan to offer at the annual meeting if that one submitted by the committee on Medical Economics did not meet with their approval.

Dr. Hayes asked the question of how we are to destroy the unethical hospital association, if not by an organization of our own. He stated that the committee does not say that they have a definite solution, but is giving the House something to think about. He further stated that in his opinion, prepaid medicine is here to stay. Dr. Hayes then read an advertisement recently published by the Industrial Hospital Association at 707 Medical Arts Building.

5313 Dr. Coberth stated that he wished to stress two points brought out in the plan of the committee. First, that a percentage of the funds be set aside and divided among the doctors entering into the corporation, that all would eventually be paid back the amount put into the corporation. Second, that a fund would be set aside to

help physicians and their widows when such financial assistance is needed.

Dr. Payne stated that his local society has had experience with a locally controlled organization of this type, and has been met with opposition and criticism when soliciting business. He stated that a central organization, with a department to take care of the solicitations, would eliminate that problem.

Dr. Durno requested that the Delegates be instructed as to the amount of information they were to give the local societies when discussing the matter.

President Sweeney informed the Delegates that the matter should be discussed with the local societies as freely as it was discussed at this meeting, and that it will be up to the local societies to use their discretion as to how executive they make their sessions.

Dr. Manlove inquired as to the part to be played in the plan by the hospitals. He stated that the hospitals and willing and anxious to cooperate with the profession, but that they are now working with commercial hospitalization insurance groups.

Dr. Coberth stated that the object is to offer the low-wage earners something that is better than anything the commercial organizations can offer. He also stated that there is nothing in the plan that concerns the hospitals. That would be worked out later.

Dr. Fitzgibbon reminded the House that the State of Washington has a set-up similar to the plan offered by the committee and that they are dissatisfied with the manner in which it is functioning and are now trying to enforce the American Medical Association rules regarding contract practice and find it impossible to do so because of their own participation in the matter.

Dr. Sweeney then recalled the motion previously made that the matter be submitted to the Council and the members of the House of Delegates discuss it at home with their local societies, and that it be taken up for final
5314 action at the annual session. The motion was duly seconded and carried.

Dr. Bridgeman read a resolution from the Josephine County Medical Society setting forth their determination to request an act by the Oregon State Legislature granting free laboratory tests for syphilis for all who request such tests. He also read a letter from the Yamhill County Medical Society stating that they had endorsed the action of the Josephine County Medical Society.

Motion was made and seconded, and it was voted that the House of Delegates re-assert themselves as being in favor of the action of the House of Delegates of the American Medical Association which favors the granting of free laboratory tests for syphilis only to those indigent persons unable to obtain such tests otherwise.

Reference was again made to the Study of the Need and Supply of Medical Care and the Delegates urged to cooperate in every way possible. It was mentioned that in making this study, it should be remembered that many persons go of their own accord to chiropractors, naturopaths, and other cultists, and are unwilling to submit themselves for proper medical care.

Dr. Sweeney suggested that the annual meeting of the House of Delegates be held on the day before the opening of the annual session.

Dr. Howard moved that this meeting be held in Portland on Tuesday previous to the opening of the annual meeting on Wednesday.

Dr. Bridgeman made a motion that the meeting be held on that date, but at Timberline Lodge. Dr. Howard amended his motion accordingly.

After some discussion, Dr. Bridgeman amended his motion to the effect that the meeting be held at Timberline, but on Saturday after the annual meeting.

After further discussion, all previous motions were withdrawn, and motion was made, seconded and carried that the matter be turned over to the Executive Committee for their consideration.

There being no further business for discussion, the meeting adjourned at 4:50 P.M.

Plaintiff's Exhibit 667

5315 OREGON STATE MEDICAL SOCIETY
MEDICAL-DENTAL BUILDING
Portland, Oregon

August 9, 1938.

TO OFFICERS AND DELEGATES OF
COMPONENT MEDICAL SOCIETIES:

The enclosed statement of policy and program for meeting the problem of contract practice and the medical care of low-wage industrial groups has been approved by the

Council and recommended to the House of Delegates. This matter will be up for consideration at the annual session to be held at Mount Hood Timberline Lodge on August 24-25-26.

This program is a substitute for the proposal that the Oregon State Medical Society organize a statewide corporation to engage in contract practice, made by the Committee on Medical Economics in its final report which was submitted to the House of Delegates at the mid-year meeting on June 25th.

It is highly important that this proposed program recommended by the Council be discussed by your society, or its Council prior to the annual session, and that your society formulate a policy with respect thereto for the guidance of its delegates.

Very sincerely yours,

OREGON STATE MEDICAL SOCIETY

by (Signed) MORRIS L. BRIDGEMAN
Secretary

5316 OREGON STATE MEDICAL SOCIETY

POLICY AND PROGRAM FOR THE MEDICAL CARE OF LOW-WAGE INDUSTRIAL GROUPS APPROVED BY THE COUNCIL AND RECOMMENDED TO THE HOUSE OF DELEGATES

(Approved by the Council on August 6, 1936)

The medical profession of Oregon has reached a crucial point. The decisions we make during this and the ensuing few years will determine permanently the future of medical practice in this state. For this reason, it is vital that we proceed deliberately and cautiously.

The Oregon State Medical Society has, therefore, a serious obligation to discharge. It must look years ahead and develop policies with relation to contract practice which are sound not only today, but five, ten, or more years from now.

In attempting to solve the difficult problem of contract practice, it is important that we carefully weigh the ultimate implications and possible dangers of any organizations we may establish for that purpose. In our state, there

is grave danger that the emotional reactions engendered in us as a result of the dictatorial and unfair practices of commercial hospital associations over a period of many years and the temptation to eliminate these practices at any cost will lead to the development of organizations which, while professionally controlled in name, will subject us to the same dictation and control from which we now seek to escape.

No one who is familiar with conditions in our state would seriously advance the idea that contract practice can be eliminated. The problem is to develop local organizations to engage in contract practice which can be kept under the control of our local societies and limited to the care of low-wage industrial groups. Unless such control is provided, even professionally-operated plans are certain to get out of hand and lead to the inclusion of all groups of the population and ultimately to state medicine.

It is important to remember that any organization with a full-time staff tends to develop objectives which may differ from the original motives leading to its establishment. All organizations have an inherent tendency to expand. Therein lies the principal defect of a statewide corporation engaging in contract practice.

Local autonomy, or the principle that the medical profession in each community shall handle its own affairs, is the foundation stone of medical organization. Once this principle is abandoned and the medical profession of Oregon is required to take orders from Portland, Salem, Eugene, or any other single point, we have installed fascism in medical organization and thrown out democracy. For this reason, it is essential that any proposal to install a centralized, statewide plan of contract practice be analyzed with the utmost care.

The committee on Medical Economics has done an immense amount of work and is entitled to the highest praise for its efforts, the tremendous sacrifice of time involved in its activities, and the assembling of a mass of valuable information which has been and will be indispensable in the development of any plan the Society may adopt. The committee has concluded that the solution of the problem of contract practice consists in the organization by the Oregon State Medical Society of a statewide corporation to provide medical care to low-wage earners on a prepaid basis.

5317 There can be no question but that the organization of a statewide corporation for this purpose has

certain advantages. However, the organization of such a corporation and the placement in its directors of the power to control medical service for groups of low-wage earners throughout the entire estate has serious disadvantages which outweigh these advantages. The major disadvantages of such a plan may be enumerated as follows:

1. The immediate establishment of a pattern of medical practice which could be readily seized upon by selfish politicians as the foundation for a system of state-controlled medicine.
2. The placement of the Oregon State Medical Society in a position where it could no longer act as an independent, censorial mechanism, a function which it must always retain for the protection of the public and the entire medical profession.
3. The creation, justifiably or unjustifiably, of the impression among the local medical societies that they have been deprived of their powers of local autonomy and that medical practice is under the domination of a centralized statewide organization, directed by a small group of physicians in a position of potential dictatorship.
4. The transfer of the enforcement of ethical standards from the Council of the Oregon State Medical Society to the Board of Directors of an outside corporation, to which all members of the Society would probably not belong.
5. The possibility that an outside corporation under the theoretical and nominal, but not actual, control of the Oregon State Medical Society would obtain a monopoly in the major part of medical practice in the state.
6. The delegation of control over a large percentage of the physicians of the state to an outside corporation, a condition which would inevitably create a division within the Oregon State Medical Society which could not but be harmful.

We are all agreed that definite action should be taken to meet the problem of contract practice and the medical care of the low-wage earner. The sole question is what method shall be used to accomplish this end.

The fundamentals of a proposed program are as follows:

1. That the Oregon State Medical Society immediately establish a Bureau of Medical Economics and employ a competent individual who is thoroughly experienced in the organization and operation of prepayment plans of medical care.

2. That the services of this Bureau and of the legal counsel to be made available to the component societies.

3. That each component society be requested to indicate whether the problem of contract practice and the medical care of the low-wage earner in its local community is such as to make desirable the organization of a special plan to provide medical care to such groups.

5318 4. That upon request of any component society, the individual in charge of the Bureau of Medical Economics and legal counsel be sent to such society to make a survey of the local situation and, in cooperation with representatives of the local society, to develop a plan for a local organization to provide medical care for the low-wage groups.

5. That such plans be thereafter submitted to the Executive Committee of the Council for review with particular respect to their conformity to ethical standards and the policies of the Oregon State Medical Society; provided that each plan shall include a prohibition against any physician who participates in the plan from engaging in activities which tend to defeat the purposes of the plan.

6. That, following review of such a local plan by the Executive Committee, the individual in charge of the Bureau of Medical Economics and legal counsel, upon request of the local society, shall organize and install the plan in all its details.

7. That the principle be established that each local organization shall limit its activities to the territory embraced within the jurisdiction of the local society by which it is approved; provided, however, that upon the request of a neighboring local society, or the physicians of a neighboring county, the Council may authorize the extension of the activities of a local

organization to such additional territory. The activities of the local organization in such additional territory shall be subject to the supervision of a committee representing the local society or the physicians of such territory; and provided, further, that the Council, under special circumstances, may authorize a given local organization to take a statewide contract.

8. That the Council and its Executive Committee, with the technical assistance of the individual in charge of the Bureau of Medical Economics and legal counsel, develop plans and policies for the early accomplishment of the following objectives:

(a) The creation of a committee, composed of one representative from each of the existing and future organizations operating plans approved by the local medical societies, together with the Executive Committee of the Council of the Oregon State Medical Society. The duties of this committee, which shall be carried on under the direction of the Council, shall be to assist in coordinating the activities of approved local organizations, to settle disputes arising between the organizations under their contracts or in their administration, and such other duties as may be assigned to it by the Council.

(b) The development of uniform by-laws for existing and future organizations operating plans approved by the local medical societies.

(c) The preparation of standard contracts for all such organizations, with particular respect to uniform provisions concerning services rendered outside the territorial limits of the local organizations.

5319 (d) The drafting of a schedule of rates to subscribers, such rates to be uniform for the same class of risks in order to eliminate "underbidding" and "shopping", and sufficient to provide good medical care.

(e) The installation of uniform accounting practices among approved local organizations, as far as feasible.

(f) The development of forms of agreement under which approved local organizations would provide services to the subscribers of other such organizations who need care outside the territorial limits of the organization of which they are subscribers.

(g) The establishment of general policies for the guidance of local organizations, on such matters as the income level for subscribers, the method of approving the taking of statewide contracts by a given local organization, the means to be used by local organizations in making known their services to industrial groups, etc.

(h) The investigation of the possibility of assisting local organizations through a plan for the centralized purchase of printing and supplies, the development of a uniform malpractice policy at more advantageous rates, and similar matters of common concern.

9. That it be the policy of the Oregon State Medical Society to cooperate with the Oregon Association of Hospitals in the development of a plan to provide hospital care on a prepayment basis with the ultimate objective of limiting prepaid plans approved by local societies to supplying professional services.

The merits of the proposed plan may be summarized as follows:

1. It preserves the principle of local autonomy and permits each local society to determine for itself whether its particular local conditions are such as to make a plan for the care of local low-wage groups desirable.

2. It provides that the Oregon State Medical Society shall supply the fullest technical assistance to its component societies in surveying their local conditions and in developing and installing plans where the local societies desire them.

3. It provides for the coordination of existing and future local organizations and for meeting the problem of statewide contracts.

4. It preserves the independent, censorial functions of the Oregon State Medical Society and thus assures

that local plans will be carried on in the best interests of the public and the entire medical profession.

5. It avoids the conversion of the Oregon State Medical Society into a business organization and permits it to retain its status as a scientific and educational organization which is primarily interested in the advancement of scientific medicine and the protection of the public health.

5320 6. It lessens the likelihood of a schism in the Oregon State Medical Society which might develop by the creation of a separate business organization within the Society.

7. It avoids the potential danger that an outside corporation, even though theoretically under professional control, could obtain a monopoly of medical practice in the state.

8. It assures the cooperation of the hospitals of the state, reduces the likelihood that the hospitals will enter into the practice of medicine, and should ultimately relieve local prepayment organizations of physicians from assuming the load of providing hospital care.

9. It decreases the possibility that a statewide, governmentally operated scheme of medical practice will be established.

(The rest of this exhibit consists of an attached Final Report of the Committee on Medical Economics, which is the same as appears in Exhibit 664.)

Plaintiff's Exhibit 668

5326 Oregon State Medical Society

HOUSE OF DELEGATES

64th Annual Session

Mount Hood Timberline Lodge, Government Camp, Oregon

August 24-25-26-27, 1938.

REPORT OF COMMITTEE ON PUBLICATIONS

More than the usual amount of interest and attention has centered upon the official publication of your State Society

this year. The committee composed of Dr. Karl H. Martzloff, Dr. Edward H. McLean and Dr. Goodrich C. Schauffler (Chairman) have held a substantial number of meetings, special meetings being held with executives of your Association and with Dr. Clarence A. Smith of Seattle, Editor of Northwest Medicine.

A number of helpful and enlightening discussions were held and it may be recorded that personal contacts and the exchange of opinion have been helpful in an unofficial manner, not to be recorded in detail in this report. We refer, however, to such matters as suggestions relative to reduced publication costs, the advertising situation, cost of reprints and other matters which have centered considerable interest in recent years. Unofficial recommendations have also been made relative to Journal financing and the management of excess funds. The Oregon Committee recommended to Dr. Smith that the prices for advertising in Northwest Medicine be resubmitted to the cooperative advertising bureau of the A.M.A. and if possible be increased.

Official actions have taken the form of the accompanying recommendations to the Council of the Oregon State Medical Society as follows:

1. That the Oregon State Medical Society request that a reasonable number of pages be made available for the discussion of matters of special interest to our membership and for reporting the activities of the Council and committees, and that a similar group of pages be made available to the Washington State Medical Association and the Idaho State Medical Association.

2. That the editorial section be moved to the first pages, that more editorials be localized, that is, deal with important developments in each of the three states.

3. That, because of past failure to conduct such a department by volunteer service, our society employ a part-time editor to edit and foster the preparation of material for the proposed Oregon section, to prepare editorials, and to stimulate local advertising.

4. That a more attractive general format be developed.

5. That efforts to increase income and reduce costs be stimulated.

These recommendations were submitted to the meeting of the Council on June 4th and were approved and the Committee authorized to present them to the meeting of

the Board of Trustees of the Pacific Publishing Association.

5327 Accordingly at the meeting of the Board of Trustees at the Empire Hotel in San Francisco on June 14, 1938, these recommendations were formally presented to the Board of Trustees. Considerable interested discussion developed, indicating that representatives of the Washington and Idaho publication committees might in the end make similar recommendations to their own State Societies. The Board of Trustees voted to accept and assist in the carrying out of the Oregon Program and the Editor expressed himself as willing to cooperate in every way. The discussion was interesting and comprehensive and, we believe, exemplary in the interests of a better Journal and particularly in the interest of Oregon's conduct of the affairs of the Society in relation to publications.

The July issue of Northwest Medicine reflected some of the suggestions made by the Oregon Committee. Further action, however, is now contingent upon the early action of your body in appointing a salaried representative or local editor.

Your committee wishes to signalize the complete accord of the various state groups and the outstanding willingness and desire for cooperation evidence by the Editor-in-Chief. It is our impression that important advances are being accomplished and that the action of the Oregon group will stand as an excellent example for the other states.

Respectfully submitted,

KARL H. MARTZLOFF
EDWARD H. MCLEAN
GOODRICH C. SCHAUFFLER
Chairman

Plaintiff's Exhibit 669

5328 Oregon State Medical Society

STATEMENT OF POLICY AND PROGRAM FOR THE MEDICAL CARE OF LOW-WAGE INDUSTRIAL GROUPS

(Adopted by the House of Delegates, August 25, 1938)

We are all agreed that definite action should be taken to meet the problem of contract practice and the medical care of the low-wage earner.

The fundamentals of a policy and program shall be as follows:

1. That the Oregon State Medical Society immediately establish a Bureau of Medical Economics.
2. That the services of this Bureau and of legal counsel be made available to the component societies.
3. That each component society be requested to indicate whether the problem of contract practice and the medical care of the low-wage industrial groups in its local community is such as to make desirable the organization of a special plan to provide medical care to such groups.
4. That upon request of any component society, the representatives of the Bureau of Medical Economics and legal counsel be sent to such society to make a survey of the local situation and, in cooperation with representatives of the local society, develop a plan for a local organization to provide medical care for the low-wage groups.
5. That any plans developed be thereafter submitted to the Executive Committee of the Council for review with particular respect to their conformity to ethical standards and the policies of the Oregon State Medical Society.
6. That the principle be established that each local organization shall limit its activities to the territory embraced within the jurisdiction of the local society by which it is approved; provided, however, that upon the request of a neighboring local society, or the physicians of a neighboring county, the Council may authorize the extension of the activities of a local organization to such additional territory. The activities of the local organization in such additional territory shall be subject to the supervision of a committee representing the local society or the physicians of such territory; and provided, further, that the Council, under special circumstances, may authorize a given local organization to take a statewide or partial statewide contract.
7. That the Council, with the technical assistance of the Bureau of Medical Economics, develop plans and

policies for the early accomplishment of the following objectives:

5329 (a) The Bureau of Medical Economics shall be composed of one representative from each of the existing and future organizations operating plans approved by the local medical societies, together with the Executive Committee of the Council of the Oregon State Medical Society. The duties of this Bureau which shall be carried on under the direction of the Council, shall be to settle disputes arising between approved local organizations under their contracts or in their administration, and such other duties as may be assigned to it by the Council.

(b) The development of uniform by-laws for existing and future organizations operating plans approved by the local medical societies.

(c) To suggest contracts to such organizations, with particular respect to uniform provisions concerning services rendered outside the territorial limits of the local organizations.

(d) The drafting of schedules of rates to subscribers, sufficient to provide adequate medical care.

(e) The installation of uniform accounting practices among approved local organizations, as far as feasible.

(f) The development of forms of agreement under which approved local organizations would provide services to the subscribers of other such organizations who need care outside the territorial limits of the organization of which they are subscribers.

(g) The establishment of general policies for the guidance of local organizations, on such matters as the income level for subscribers, the method of approving the taking of statewide or partial statewide contracts by a given local organization, the means to be used by local organizations in making known their services to industrial groups, etc.

8. That it be the policy of the Oregon State Medical Society to cooperate with the Oregon Association of

Hospitals in the development of a plan to provide hospital care on a prepayment basis, with the ultimate objective of limiting prepaid plans approved by local societies to supplying professional services.

This statement of policy and program may be changed or modified by a majority vote of the Council at any time, provided the notice of the meeting states the object of the proposed change or modification.

If any provision of this statement of policy and program is in conflict with the Constitution or By-Laws of the Oregon State Medical Society or those of the American Medical Association, the invalidity of such provision shall not effect the balance of this statement of policy and program.

Plaintiff's Exhibit 670

5330

Oregon State Medical Society
Medical-Dental Building
Portland, Oregon

December 6, 1939

Dr. L. M. Spalding
Astoria, Oregon

Dear Dr. Spalding:

I have just learned that the meeting of the Clatsop County Medical Society to discuss plans of medical insurance has been postponed to Saturday, December 9th.

I regret that I will be unable to attend this meeting because I will be leaving Saturday night for the meeting of the Pacific States Medical Executives' Conference at Seattle on Sunday.

I think it is important that the Clatsop County Medical Society take no action on the subject of medical insurance plans until the Council of the Oregon State Medical Society has had an opportunity to formulate a policy with respect to this subject.

Very sincerely yours,

OREGON STATE MEDICAL SOCIETY

by (Signed) CLYDE C. FOLEY
Executive Secretary

Plaintiff's Exhibit 671

5331 **1940 OBJECTIVES**

of the

OREGON STATE MEDICAL SOCIETY*

—

1. An enlarged program to bring more and better medical service to low-wage groups and the people generally.
2. An expanded program of postgraduate education for physicians throughout the state.
3. An enlarged program of public relations to inform the public concerning the principles underlying high-type medical service and the evils of politically or commercially controlled medical service.
4. Close cooperation with every agency whose program touches medical care, preventive medicine, health education or any phase of medicine.
5. Full support of the Platform of the American Medical Association to improve the health and medical services of the Nation.

—

Every physician in the state is urged to support these objectives by membership in his local medical society and the Oregon State Medical Society and participation in their activities.

The material which follows carries three important messages from the Oregon State Medical Society. Please read them carefully and save for reference.

—Charles E. Hunt, M.D., President

5332 **POLICY CONCERNING ETHICAL RELATIONSHIPS OF MEMBERS IN SERVING SUBSCRIBERS OF UNAPPROVED HOPITAL ASSOCIATIONS AND SIMILAR ORGANIZATIONS***

1. The following conduct of physicians may be regarded by the disciplinary bodies of the local medical societies as

* Adopted by the Council of the Oregon State Medical Society on Jan. 13, 1940.

some evidence of association with unapproved organizations engaged in unethical practices:

(a) Accepting tickets of such organizations.

(b) Billing such organizations directly.

(c) Accepting payment directly on the organization's fee schedule, including accepting checks from such organizations, or checks of such organizations endorsed by the patient.

(d) Rendering reports to such associations concerning conditions of the physician's patients.

(e) Becoming one of a limited panel of physicians at the call of such organizations.

(f) Any other conduct indicating association with such organizations.

2. *Merely performing medical service for a patient* who happens to be covered by a contract of an unapproved hospital association or similar organization is not in itself sufficient evidence of association of physicians with such associations or organizations *provided the entire dealing and conduct of the physician shows the normal relationship of physician and patient.*

3. Such organizations employ methods which are not in the best interests of the public and the medical profession in that:

(a) *They interject a third party between the patient and his physician and attempt to control* the nature and extent of the physician's services to the patient.

(b) *The attempt to control the compensation of the physician* which should always be determined by the patient and his physician, keeping in mind the patient's ability to pay.

(c) *They reap a profit from the physician's services, at the expense of the patient.*

(d) *They seek to gain control over the medical profession.* Domination of the medical profession by commercial corporations is probably more detrimental to the public welfare and the medical profession than regimentation by

the government. Due largely to the efforts of organized medicine, efforts to promote the federal control of medical practice have suffered severe set-backs during the last year. *Public opinion is turning toward the medical profession and the present system of private practice.* These gains will be nullified if commercial corporations obtain domination over medical practice.

5333 POLICY CONCERNING SPECIAL PLANS OF MEDICAL CARE*

WHEREAS, the House of Delegates of the Oregon State Medical Society, on August 25th, 1938, adopted a Policy and Program for the Medical Care of Low-Wage Industrial Groups, under which local plans for the care of such groups may be approved by the local societies and the Council of the Oregon State Medical Society, and such approved local plans now are serving approximately 30,000 employees in 16 counties, including a majority of the industrial centers of the state; and

WHEREAS, as an additional means of obtaining a better distribution of the costs of medical care, the American Medical Association and the Oregon State Medical Society have approved the principle of hospital service insurance as embodied in plans organized and operated by the hospitals on a non-profit basis; and

WHEREAS, the American Medical Association and the Oregon State Medical Society have also approved voluntary indemnity insurance plans, which are the best of the plans devised to obtain a better distribution of the costs of medical care; (voluntary indemnity insurance plans may be defined as plans operated by a true insurance company under the legal safeguards provided by the insurance laws governing health and accident insurance wherein the function of the company is restricted *solely to reimbursing the insured* for expenses incurred for medical and hospital services covered by its policy, as distinguished from plans operated under the hospital association law wherein the hospital associations operating the plans contract to furnish medical care to subscribers under conditions prescribed by these associations.) and

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* Adopted by the Council of the Oregon State Medical Society on Jan. 13, 1940.

WHEREAS, the Oregon State Medical Society may be requested to approve various other types of special plans;

NOW THEREFORE, the Council of the Oregon State Medical Society hereby adopts the following policy to be applied in considering for approval special plans other than local medical service plans having the approval of the respective local societies, hospital service insurance plans, and voluntary indemnity insurance plans;

1. The sponsors of such other special plans should apply to the Council for approval and should not importune local societies or individual members of the Society for their approval without first applying for and obtaining the approval of the Council.

2. The sponsors of such plans must establish that their plans are organized and conducted in accordance with the best interests of the public, the policies of the Oregon State Medical Society, and the Principles of Medical Ethics.

3. The sponsors of such plans must establish clearly that their plans observe the following principles:

(a) All physicians practicing ethical medicine in their respective communities must be eligible to perform service and the agency conducting the plan must not have the power to arbitrarily exclude any physician from eligibility.

(b) Opportunity to practice medicine and surgery without a license must not exist or be inherent in the plan; as, for example, the agency conducting the plan must not have power to determine whether an operation or other procedure is justified, when the physician employed by the subscriber deems such procedure advisable.

(c) The physician selected by the subscriber must be responsible solely to his patient and not to a third person, who can directly or indirectly terminate the physician's services because of his failure to satisfy such third person as to the efficacy of his service.

(d) The agency conducting the plan must not give the public the mistaken impression that it will pay all medical and surgical bills of the subscriber, when, as a matter of

5334 fact, the conditions and limitations of the contract are so numerous and physicians' fee schedules so low as to make such payment impossible.

(e) The agency conducting the plan must not attempt to sell physicians' services without their permission and without consulting them.

(f) The plan must not contain any other features not in the best interests of the public.

4. It is contrary to the best interests of the public and the medical profession for members of the Oregon State Medical Society or its component societies to associate themselves, directly or indirectly, with any special plan of medical care which has not been submitted to and approved by the Council.

5. The Secretary is instructed to transmit a copy of this resolution to each member of the Society.

Plaintiff's Exhibit 672

5335 OREGON STATE MEDICAL SOCIETY
MEDICAL-DENTAL BUILDING
PORTLAND, OREGON

November 27, 1939

Dr. Melvin E. Johnson, Secretary
Coos-Curry Counties Medical Society
North Bend, Oregon

Dear Dr. Johnson:

We are enclosing a copy of Recommended Policies and Procedures for Providing Medical Care to Low-Wage Industrial groups, recently adopted by the Bureau of Medical Economics and the Council of the Oregon State Medical Society.

These Recommended Policies and Procedures were developed as an outgrowth and more detailed elaboration of the Statement of Policy and Program for the Medical Care of Low-Wage Industrial Groups adopted by the House of Delegates at the 1938 Session. They are designed to serve as a guide to component societies and approved local organizations offering plans of prepaid medical care to this group of the population.

It is highly important that the members of every component society be fully informed concerning these Recommended Policies and Procedures. Therefore, we respectfully request that you present a summary of them at the next meeting of your society. Please also call the attention

of your members to the digest of these policies which was published in the Oregon Section of the November issue of "Northwest Medicine".

Thanking you in advance for your cooperation, we are

Very sincerely yours,

OREGON STATE MEDICAL SOCIETY

(Signed) By MORRIS L. BRIDGEMAN
Secretary

5336 Oregon State Medical Society

BUREAU OF MEDICAL ECONOMICS

RECOMMENDED POLICIES AND PROCEDURES FOR PROVIDING MEDICAL CARE TO LOW-WAGE INDUSTRIAL GROUPS

1939

5337 THE PROBLEM OF PROVIDING MEDICAL CARE TO LOW-WAGE INDUSTRIAL GROUPS

During the past several years, the Oregon State Medical Society has given comprehensive consideration to the problem of providing medical care to low-wage industrial groups. This problem has been given detailed investigation and study by special committees and has been the subject of extended discussion and deliberation by the Council and the House of Delegates. These activities culminated in the development of the following Statement of Policy and Program for the Medical Care of Low-Wage Industrial Groups which was adopted by the House of Delegates at the 1938 Session and subsequently amended by the Council in certain particulars:

> "We are all agreed that definite action should be taken to meet the problem of contract practice and the medical care of the low-wage earner.
>
> The fundamentals of a policy and program shall be as follows:

1. That the Oregon State Medical Society immediately establish a Bureau of Medical Economics.

2. That the services of this Bureau and of legal counsel be made available to the component societies.

3. That each component society be requested to indicate whether the problem of contract practice and the medical care of the low-wage industrial groups in its local community is such as to make desirable the organization of a special plan to provide medical care to such groups.

4. That upon request of any component society, the representatives of the Bureau of Medical Economics and legal counsel be sent to such society to make a survey of the local situation and, in cooperation with representatives of the local society, develop a plan for a local organization to provide medical care for the low-wage groups.

5. That any plans developed be thereafter submitted to the Executive Committee of the Council for review with particular respects to their conformity to ethical standards and the policies of the Oregon State Medical Society.

6. That the principle be established that each local organization shall limit its activities to the territory embraced within the jurisdiction of the local society by which it is approved; provided, however, that upon the request of a neighboring local society, or the physicians of a neighboring county, the Council may authorize the extension of the activities of a local organization in such additional territory. The activities of the local organization in such additional territory shall be subject to the supervision of a committee representing the local society or the physicians of such territory; and provided, further, that the Council, under special circumstances, may authorize a given local organization to take a statewide or partial statewide contract.

5338

7. That the Council, with the technical assistance of the Bureau of Medical Economics, develop plans and policies for the early accomplishment of the following objectives:

   (a) The Bureau of Medical Economics shall be composed of one representative from each of the existing and future organizations operating plans approved by the local medical societies, together

with the Council of the Oregon State Medical Society. The duties of this Bureau which shall be carried on under the direction of the Council, shall be to settle disputes arising between approved local organizations under their contracts or in their administration, and such other duties as may be assigned to it by the Council.

(b) The development of uniform by-laws for existing and future organizations operating plans approved by the local medical societies.

(c) To suggest contracts to such organizations, with particular respect to uniform provisions concerning services rendered outside the territorial limits of the local organizations.

(d) The drafting of schedules of rates to subscribers, sufficient to provide adequate medical care.

(e) The installation of uniform accounting practices among approved local organizations, as far as feasible.

(f) The development of forms of agreement under which approved local organizations would provide services to the subscribers of other such organizations who need care outside the territorial limits of the organization of which they are subscribers.

(g) The establishment of general policies for the guidance of local organizations, on such matters as the income level for subscribers, the method of approving the taking of statewide or partial statewide contracts by a given local organization, the means to be used by local organizations in making known their services to industrial groups, etc.

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8. (a) The President of the Society and six other members shall form an Executive Committee. The President shall be the presiding officer of the committee, but he shall not vote except in the case of a tie.

(b) The Council shall select three members from among its number and the Bureau shall select three members from among the representatives of approved local organizations affiliated with it.

Each of these members shall serve for a period of one year, and until their successors are selected and qualified.

(c) The Executive Committee shall have power to apply the policies of the Society with respect to problems in connection with the medical care of low-wage industrial groups which arise between meetings of the Bureau and which require immediate consideration. The Committee shall also have such other functions and powers as shall be assigned to it by the Council or the Bureau, consistent with the policies of the Society. A report of the interim activities of the Committee shall be made at the next regular meeting of the Bureau.

(d) A quorum of the Executive Committee shall consist of four members. A majority of such quorum shall be sufficient to take any action which the committee is qualified to take.

9. That it be the policy of the Oregon State Medical Society to cooperate with the Oregon Association of Hospitals in the development of a plan to provide hospital care on a prepayment basis, with the ultimate objective of limiting prepaid plans approved by local societies to supplying professional services. This statement of policy and program may be changed or modified by a majority vote of the Council at any time, provided the notice of the meeting states the object of the proposed change or modification.

If any provision of this statement of policy and program is in conflict with the Constitution or By-laws of the Oregon State Medical Society or those of the American Medical Association, the invalidity of such provision shall not affect the balance of this statement of policy and program."

5340 FUNDAMENTAL PRINCIPLES OF THE POLICY AND PROGRAM

In establishing these policies to meet the problems of providing medical care to low-wage industrial groups, the House of Delegates recognized the importance of observing certain basic principles of medical organization. Among these principles are the following:

1. The principle of local autonomy; namely, that the medical profession in each local community should handle its own affairs, including the determination of the need of any special plan to provide medical care to low-wage industrial groups and the nature of any such plan.
2. The principle that the Oregon State Medical Society should act as a clearing-house of information for its component societies and should provide them with the fullest technical assistance in surveying their local conditions and in developing and installing special plans of medical care where the component societies desire them.
3. The principle that the Oregon State Medical Society should retain its independent status as a scientific and educational organization and its censorial functions over all plans for providing medical care.

ORGANIZATION OF THE BUREAU OF MEDICAL ECONOMICS

Under the Policy and Program for the Medical Care of Low-Wage Industrial Groups, the Bureau of Medical Economics consists of the Council and one representative from each local organization operating a prepayment plan approved by the component society in its community.

The present composition of the Bureau of Medical Economics is as follows:

The Council

Officers:

Charles E. Hunt, Eugene, President
Karl H. Martzloff, Portland, President-Elect
George E. Henton, Portland, First Vice-President
F. L. Ralston, La Grande, Second Vice-President
F. K. Power, Salem, Third Vice-President
Morris L. Bridgeman, Portland, Secretary
J. Everett Buckley, Portland, Treasurer
Charles E. Sears, Portland, Past-President
John H. Fitzgibbon, Portland, Delegate to the American Medical Association
Ralph A. Fenton, Portland, Trustee to the American Medical Association

Councilors:

Guy L. Boyden, Portland
G. H. Strickland, Oregon City
Earl M. Anderson, Portland
L. M. Spalding, Astoria
W. W. Baum, Salem
E. R. Durno, Medford
R. W. Hemingway, Bend
C. W. McCain, Hood River
C. T. Hockett, Enterprise
E. S. Kent, Eugene

5341 *Representatives of Approved Local Organizations*

A. H. Huycke, Oregon City, representing the Association of Clackamas County Physicians, local organization approved by the Clackamas County Medical Society.

Dean P. Crowell, North Bend, representing the Coos Bay Hospital Association, local organization approved by the Coos-Curry Counties Medical Society.

J. C. Hayes, Medford, representing the Southern Oregon Medical Service Association, local organization approved by the Jackson County Medical Society.

G. I. Hurley, Eugene, representing the Lane County Medical Society, the Eugene Hospital and Clinic, and the Pacific Hospital Association, local organizations approved by the Lane County Medical Society.

S. H. Sheldon, Portland, representing the Multnomah Medical Service Bureau, local organization approved by the Multnomah County Medical Society.

F. K. Power, Salem, representing the Physicians and Surgeons Hospital Association, local organization approved by the Polk-Yamhill-Marion Medical Society.

E. R. Huckleberry, Tillamook, representing the Tillamook Hospital Association, local organization approved by the Tillamook County Medical Society.

F. L. Ralston, La Grande, representing the La Grande Hospital Association, local organization approved by the Union County Medical Society.

The Executive Committee

(Acts as interim committee to handle emergency situations which arise between meetings of the Bureau.)

Charles E. Hunt, Eugene, Chairman

From the Council	From Approved Local Organizations
Charles E. Sears, Portland	S. H. Sheldon, Portland
W. W. Baum, Salem	A. H. Huycke, Oregon City
E. R. Durno, Medford	F. K. Power, Salem

The following executives of approved local organizations, upon invitation, sit with the official representatives of the Bureau in an advisory capacity:

Mr. E. J. Claussen, Tillamook,
Secretary, Tillamook Hospital Association

Dr. F. H. Dammasch, Portland,
Medical Director, Multnomah Medical Service Bureau

Mr. R. R. Hammond, Medford,
Manager, Southern Oregon Medical Service Bureau

Mr. W. C. Marshall, Salem,
Manager, Physicians and Surgeons Hospital Association

Mr. Marvin T. Warlick, Eugene,
Business Manager, Eugene Hospital and Clinic

Mr. C. F. Wright, Eugene,
Manager, Pacific Hospital Association

5342 THE FIRST STEP: A STUDY OF THE PROBLEM OF PROVIDING MEDICAL CARE TO LOW-WAGE INDUSTRIAL GROUPS BY COMPONENT SOCIETIES

The first step in meeting the problems of providing medical care to low-wage industrial groups and contract practice in a given local community is a study of these problems by the component society. Each society should appoint a committee to survey the local situation. This committee should report its findings and recommendations to the component society which should then determine whether a special plan of medical care should be organized to meet these problems, if they are found to exist.

DEVELOPING A PLAN

If the component society concludes that a special plan is needed, it may request the Bureau of Medical Economics to provide legal counsel and other assistance to aid in the development of a plan.

Any plans developed are to be thereafter submitted to the Executive Committee of the Council for preliminary review, with particular respect to their conformity to ethical standards and the policies of the Oregon State Medical Society.

PLANS TO BE LOCAL IN SCOPE AND CONTROL

In order that special plans for providing medical care to low-wage industrial groups may be conducted in the best interests of the subscribers and the medical profession and the unlimited expansion of contract practice to all classes of the population avoided, the Policy and Program adopted by the House of Delegates provides that such plans shall be local in character and organized and operated under the control of the respective local societies. This policy is in consonance with the principle of local autonomy which is one of the fundamental features of medical organization.

LEGAL STRUCTURE OF LOCAL PLANS

The Hospital Association Law

In considering the legal form of organizations created to provide medical care to low-wage industrial groups, it is pertinent to call attention to the Hospital Association Law and to discuss its history and some of its effects.

It is the general policy of the law of the United States that the practice of medicine, law, and other professions shall be confined to *individuals* who have the requisite training, character, and other qualifications, and who pass an examination to show their qualifications. In the absence of an enabling statute, corporations may not practice medicine, because a corporation cannot possess the necessary qualifications. Corporations cannot offer to undertake to treat in any manner abnormal physical or mental conditions of persons, and therefore, presumably cannot contract to furnish medical care.

However, many years age, certain lay organizations in the state desired to contract to furnish medical services, which they were not legally entitled to provide. These organizations apparently did not desire to assume the burden entailed by the organization of a regular insurance company for this purpose. As a result of this development, the Oregon State Legislature, in 1917, was induced to pass the so-called Hospital Association Act.

5343 The effect of this law is to permit corporations, partnerships, and individuals to contract to furnish

medicine, medical and surgical treatment, nursing, hospital service, ambulance service, dental service, etc., without being liable to prosecution for practicing medicine without a license. The act provides that all such organizations shall qualify to transact a hospital association business. The act further provides that each such organization shall have a paid-up capital of $5,000 invested in the same manner as provided for the investment of the capital stock of domestic insurance companies, shall post a surety bond with the Insurance Commissioner in the sum of $10,000, and shall make certain reports to the Insurance Commissioner.

The act provides that it shall not apply to certain methods of providing medical and related services. The law specifically exempts "members of charitable, fraternal, or religious societies, where such persons are associated together under and agreement, articles of association or incorporation, for the purpose of providing benefits among themselves for accidents or illness . . . any physician or surgeon, or physicians or surgeons residing and practicing in this state and contracting . . . to supply only such professional, medical or hospital services and supplies as accidents or illness . . . may require, no policy or certificate of insurance being issued to such persons". No person, organization, or association which is exempt from the act may "give or allow or promise to give or allow to any person any compensation for procuring new members".

The law provides no penalty for failing to comply with its terms and no method of enforcing compliance.

It will be seen that rather than permitting physicians or organizations of physicians to contract for medical and related services, the act was a curtailment of the privileges of physicians. Before the passage of this law, physicians could contract for such care. The act only enables commercial organizations to engage in this business without being prosecuted for practicing medicine without a license.

Under this law, it is certain that groups of physicians organized as partnerships or under an assumed name business structure may contract to render medical and related services without complying with the terms of the act. It is also certain that any profit stock company organized by physicians to render this care must comply with the hospital association law. The question as to whether or not a non-profit corporation organized by physicians, and whose members are all physicians, must comply with the hospital association law is not so certain.

Alternative Forms of Organization

Under existing laws, three different types of organizations to provide medical care to low-wage industrial groups may be formed:

1. Assumed Name Business

This type of organization is formed by filing an assumed name business certificate, signed by each physician participating in the formation of the plan, in the manner provided by law. (A typical assumed name business certificate is set forth in "Exhibit A".)

For practical purposes, such an organization may be viewed as a partnership, or at least carrying many of the incidents of partnership. It is especially recommended in the case of a small, integrated group of physicians. (A suggested type of by-laws is set forth in "Exhibit
5344 B".)

The advantages of this type of organization are as follows:

a. It is extremely elastic, and avoids the paper work and organization details of a corporate form.

b. In following the general form of a partnership structure, it follows the form of business activity commonly employed in physician relationships.

c. It is *not necessary to qualify* under the hospital association law, and thereby eliminates much paper work and the necessity of furnishing $5,000 in capital.

d. It retains most nearly the individual physician-patient relationship, which is becoming more important daily due to drives to "socialize" medical practice.

The following disadvantages of this type of organization are pointed out:

a. It creates possible liability of members arising from malpractice or other legal liability of other members. However, this liability can be practically eliminated by adequate malpractice insurance and an interested, functioning physician membership.

b. It is not sufficiently stable, and a reorganization may be required on the death or resignation of a physician member. However, this contingency can be eliminated by proper provisions in the by-laws.

c. The alleged difficulty of keeping physicians interested and active.

The Association of Clackamas County Physicians is organized as an assumed name business, and has been very successful, both professionally and financially.

2. Non-Profit Corporation

This type of organization is formed by filing the articles in the manner provided by law. (Suggested articles of incorporation are set forth in "Exhibit C".)

Some of the advantages of this type of organization are as follows:

a. The psychological value of offering a plan on a non-profit basis is great.

b. The non-profit basis emphasizes in the public mind what is the actual fact; namely, physicians in developing ethical plans for low-income groups are offering the full benefits of scientific medicine on a fee schedule that is far below the regular fee schedule.

c. There will not be any *profit* under any of these plans, and physicians should enjoy the benefits of organization on a non-profit basis.

d. It may well stimulate charitable gifts for the education and physical well-being of the people of
5345 the state.

e. It may *not be necessary to qualify under the hospital association law.*

f. The organization and operation of such a corporation is simple, compared to a profit corporation.

g. The possible individual liability of physicians is eliminated.

3. Profit Corporation

This type of organization is the regular business organization, whose pattern was set by lay-owned hospital associations which had no logical alternative than organize on this basis. (Suggested articles of incorporation and by-laws are set forth in "Exhibit D".)

RRINCIPLES AND PROCEDURE FOR APPROVAL OF LOCAL ORGANIZATION BY COMPONENT SOCIETY AND COUNCIL OF THE OREGON STATE MEDICAL SOCIETY

After a local organization to provide medical care to low-wage industrial groups has been formed, it should

apply to the component society for approval as an agency to administer such a plan within the territory of the component society.

In granting approval to an organization established to provide medical care to low-wage industrial groups, component societies should require that the following principles, adopted by the House of Delegates of the American Medical Association, be observed:

1. All features of medical service in any method of medical practice should be under the control of the medical profession. No other body or individual is legally or educationally equipped to exercise such control.

2. No third party must be permitted to come between the patient and his physician in any medical relation. All responsibility for the character of medical service must be borne by the profession.

3. Patients must have absolute freedom to choose a legally qualified doctor of medicine who will serve them from among all those qualified to practice and who are willing to give service.

4. The method of giving the service must retain a permanent, confidential relation between the patient and a "family physician". This relation must be the fundamental and dominating feature of any system.

5. All medical phases of all institutions involved in the medical service should be under professional control, it being understood that hospital service and medical service should be considered separately. These institutions are but expansions of the equipment of the physician. He is the only man whom the laws of all nations recognize as competent to use them in the delivery of service. The medical profession alone can determine the adequacy and character of such institutions. Their value depends on their operation according to medical standards.

5346 6. In whatever way the cost of medical service may be distributed, it should be paid for by the patient in accordance with his income status and in a manner that is mutually satisfactory.

7. Medical service must have no connection with any cash benefits.

8. Any form of medical service should include within its scope all legally qualified doctors of medicine of the locality covered by its operation who wish to give service under the conditions established.

9. Systems for the relief of low-income classes should be limited strictly to those below the "comfort level" standard of incomes.

10. There should be no restrictions on treatment or prescribing not formulated and enforced by the organized medical profession.

After the component society approves a local organization, the component society should request the Council of the Oregon State Medical Society to approve the organization in a letter in substantially the following form:

"The ..... Bureau has been approved by the ..... Medical Society as an agency to administer a plan to provide prepaid medical care to low-wage industrial groups.

"We hereby request the Council of the Oregon State Medical Society to approve the ..... Bureau as an agency to administer such a plan within the territory embraced by the ..... Medical Society, and ask that Dr. ..... be recognized as the ..... Bureau's representative in the Bureau of Medical Economics of the Oregon State Medical Society.

The component society should also provide for the revocation of approval when the conditions under which it granted approval are violated. Before revoking approval, the component society should give a full opportunity for the local organization to be heard.

When a local organization seeks and receives the approval of the Council of the Oregon State Medical Society as an agency to provide medical care to low-wage industrial groups and becomes affiliated with the Bureau of Medical Economics, it should be understood that the local organization thereby agrees to conform to the policies of the Oregon State Medical Society and not to deviate from these policies, except with the specific permission of the Council. If a local organization deviates from these policies, without the Council's express permission, the Council may withdraw its approval, in which case the local organi-

zation loses its representation in the Bureau of Medical Economics. Furthermore, if the component society does not withdraw its approval from a local organization upon the revocation of approval by the Council, the Council may exercise its disciplinary authority against the component society and its members.

5347 No local organization may receive or retain the approval of the Council for affiliation with the Bureau, which includes among its physician-members any physician who participates in any plan of prepaid medical care for low-wage industrial groups which is not approved by a component society and the Council of the Oregon State Medical Society.

PETITION BY COMPONENT SOCIETY TO AUTHORIZE AN EXISTING APPROVED LOCAL ORGANIZATION TO EXTEND ITS ACTIVITIES TO TERRITORY OF PETITIONING COMPONENT SOCIETY

In certain instances, a component society may conclude that it is desirable to have a special plan to provide medical care to low-wage industrial groups, but that it is impracticable to organize and operate a local plan. Under these circumstances, the component society may petition the Council to authorize an existing local approval organization in a neighboring county to extend its activities to the territory of the petitioning component society. The petitioning component society should appoint a committee to supervise the activities of the local organization within its territory.

When a component society desires an existing local approved organization in a neighboring county to extend its activities to the territory of the component society it should adopt a resolution in substantially the following form:

"BE IT RESOLVED BY THE ..... Medical Society that:

1. The ..... Medical Society hereby requests the Council of the Oregon State Society to authorize the extension of the activities of the ..... Bureau to the territory embraced by the said ..... Medical Society.

2. A committee composed of Drs. ....., ..., and ..... is hereby created to supervise the activities of the said ..... Bureau within the territory embraced by this ..... Medical Society."

The local organization authorized to extend its activities to the territory of the petitioning component society shall keep segregated from its own funds all subscribers' fees collected in such territory, for the payment of necessary services to such subscribers, except that the local organization, under an agreement with the petitioning component society, may deduct a reasonable amount to cover the costs of administration, which amount shall not exceed 15 per cent of the total subscribers' fees collected in the territory. Any surplus remaining from such segregated subscribers' fees after the payment of hospital, drugs, nursing and other auxiliary services and the costs of administration, shall be paid to the members of the component society participating in the plan on a basis of professional services rendered or on such other basis as the component society may fix.

SPECIAL AUTHORIZATION TO LOCAL ORGANIZATIONS TO MAKE STATEWIDE OR PARTIAL STATEWIDE CONTRACTS

Under the Policy and Program adopted by the House of Delegates, each approved local organization is to limit its activities to the territory within the jurisdiction of the component society by which it is approved. However, employers in the transportation business, or other employers whose operations are not confined to a single locality, often desire, for reasons of administrative convenience, to enter into a single contract to cover all their employees. Under these circumstances, the Council may authorize a given local organization to enter into such a contract. Ordinarily, a local organization seeking permission to enter into a statewide or partial statewide contract should be located in the community in which the employer whose employees are to be covered has his home office or principal place of business.

5348 When a local organization desires to enter into a statewide or partial statewide contract, its board of directors, or other executive body, should adopt a motion or resolution in substantially the following form:

"1. The Council of the Oregon State Medical Society is hereby requested to authorize the ..... Bureau to enter into a contract with the ..... Company to provide medical and related services to the employees of said company wherever they are located within the State of Oregon.

"2. The special circumstances which led to this request are as follows: (Set out fully the special circumstances involved).

"3. The secretary is hereby instructed to transmit a copy of this motion immediately to the Council of the Oregon State Medical Society and ask the Council to act upon this request as soon as possible."

After the Council has granted permission to a local organization to enter into a statewide or partial statewide contract, it shall be the duty of the local organization to write a letter to each physician in the territory in which the subscribers under such contracts will require medical service, stating that the Council of the Oregon State Medical Society has approved the contract, giving the name of the employed group, and requesting the physician to care for such of these subscribers as seek his services, on the basis of the fees usually charged persons in similar financial circumstances, using the schedule of the Oregon State Industrial Accident Commission as a guide.

FORMS OF CONTRACTS AND SUBSCRIBER FEES

At the present time, there is considerable variation in the contracts offered by the various approved local organizations. These differences are due to a variety of factors, including historical factors, competitive influences, etc.

It is especially desirable that the contracts written by approved local organizations shall be uniform, so far as possible, particularly with respect to the conditions under which services are rendered to subscribers when away from their home communities.

Types of Contracts

Two types of contracts are recommended; namely a Full Coverage, Non-Industrial Accident and Sickness Contract and a Non-Industrial Accident and Acute Illness Contract.

Full-Coverage, Non-Industrial Accident and Sickness Contract

This type of contract provides medical, surgical, hospital service, and supplies required by employees in non-industrial accidents and for any sickness, subject to certain conditions and exceptions.

5349 Medical service is provided during the life of the contract, but not to exceed one year in any one case;

hospitalization in a ward bed is limited to six months' in any one case, with private room and special nurse provided for a maximum of 30 days in any one case. Care in certain conditions, such as insanity, pregnancy, etc., is excluded.

A distinction is made between the services available to employees employed at the inception of the contract, who are entitled to care for chronic diseases, and future employees, who must be covered under the contract for at least six months before being entitled to such care. A subscriber fee of $2.00 per month for each employee is recommended. (A suggested form of this type of contract is set forth in Exhibit E")

Non-Industrial Accident and Acute Illness Contract

This type of contract is designed primarily for seasonal workers. It is more limited in benefits and eliminates the care of chronic diseases.

Medical service is provided for a period of one year in any one case; hospitalization in a ward bed is limited to six months in any one case, and private room and special nursing are not provided.

Services of physicians are limited to the physician-members of the approved local organization, with no provision for services needed when the subscriber is away from the local community. A subscriber fee of 35 cents per week is recommended. (A suggested form of this type of contract is set forth in Exhibit "F".)

It is possible to enter into both types of contracts with a single employer, the Full-Coverage, Non-Industrial Accident and Sickness Contract to cover regular workers, and the Non-Industrial Accident and Acute Illness Contract to cover seasonal workers.

Medical Aid Contracts Covering Industrial Accidents

The vast majority of Oregon workers employed in hazardous occupations are under the protection of the State Workmen's Compensation Law. The law authorizes the State Industrial Accident Commission to provide all necessary medical care to workers under the Act who are injured in the course of their employment.

The Workmen's Compensation Fund itself is an insurance fund created by certain stated contributions of the workers and their employers. For this reason, there appears to be no justification for a further "prepayment plan" under which the medical care of employees is "sublet" to

another organization on a contract basis, except when essential services cannot be otherwise obtained, as, for example, in isolated logging and other operations.

It is recommended, therefore, that approved local organizations do not enter into industrial accident contracts, except under such circumstances and that medical service be provided by the State Industrial Accident Commission under the "open" or "non-contract" plan.

5350 The State Industrial Accident Commission provides a so-called Medical Aid Contract form. The form of this contract is satisfactory. The rates for service under such contracts should be based upon a stated amount per work day, should take into account the hazard of the occupations in which the employees covered are engaged, and should be sufficient to provide good medical care. (A copy of the State Industrial Accident Commission's Medical Aid Contract form appears as "Exhibit G".)

SUBSCRIBER ELIGIBILITY

Probably the most important feature of plans for the medical care of low-wage industrial groups is the determination of a sound policy with respect to the income level at which subscribers are admitted to the benefits of these plans. The primary purpose of special plans is to afford relief to persons below the "comfort" level standard of income. Unless definite policies limiting the benefits of special plans to this group are adopted and enforced, the ultimate result will be the gradual expansion of these plans to include almost all classes of the population.

Responses to questionnaires on this subject sent to representative physicians in all parts of the state and to professionally controlled organizations operating prepaid plans of medical care in Oregon and Washington reveal a wide divergence of opinion as to income levels.

The maximum annual income levels recommended by physicians for single persons range from $480 to $2000 and for man and wife, from $600 to $3000. The average of the income levels recommended by physicians were $1228 for single persons and $1625 for man and wife. The median, or most common, of the income levels recommended by physicians were $1000 for single persons and $1500 for man and wife.

The responses of organizations conducting prepaid plans of medical care in Oregon and Washington indicated an anarchic situation so far as income levels are concerned. A number of these organizations indicated that they had

no income level. Other organizations reported an income level of $1800 or $2400 for both single and married persons, but stated that these levels were not enforced. The reason almost uniformly given by these organizations for their failure to adopt or enforce a definite income level was the existence of competition in the local community from groups of non-participating physicians, clinics, or commercial hospital associations, which enforce no income level among employees and frequently include the executives and owners. Local organizations also pointed out that employees in the higher income brackets frequently wielded large influence among their fellow employees and that their exclusion would often result in the rejection of the plan by the employees.

It is recommended that a maximum income level of $1000 for single persons and of $1600 for man and wife be adopted as an objective, each local organization to be permitted to fix lower income levels, if it so desires. It is further recommended that when a local organization, because of special local factors, deems it desirable to deviate upward to some extent from these maximum income levels, it be required to present the facts to the Bureau of Medical Economics and the Council and to obtain their prior approval for such deviations; provided that if any emergency with reference to a specific contract presents itself, such approval may be obtained from the Executive Committees of the Bureau and the Council, acting jointly.

5351 It is also recommended that local organizations do not accept owners or managers as subscribers.

In order that local organizations may enforce the determined, maximum annual income levels, it is recommended that each subscriber be required to submit a statement of his marital status and his income for the past year before the contract under which he is to be covered is made and at the time of each annual renewal of the contract. If the subscriber is a member of a family containing other members having incomes, the statement should give the total family income.

PHYSICIANS' FEES

The fundamental purpose of special plans of medical care for low-wage industrial groups is to enable these groups to obtain services by the payment of monthly fees commensurate with their modest incomes. This objective pre-supposes that professional fees will be nominal and somewhat below customary charges.

Although there is some uniformity throughout the state, as, for example, under the schedule of the Oregon State Industrial Accident Commission, fees, generally speaking, vary considerably in the various local communities. For the present, therefore, it would appear desirable to leave each local organization free to determine the amount and method of distributing funds available for the payment of their own physician-members.

Subscribers covered by a local organization under a statewide or partial statewide contract, and other subscribers when away from their home communities, not infrequently receive services from physician-members of some other local organization: It is recommended that the physician-members of each approved local organization agree to accept payment for services rendered subscribers of any other approved local organization on the same basis as physician-members of the organization of which the subscriber is a beneficiary-member are paid. However, it is recommended that, as soon as feasible, a uniform fee schedule for such services be developed and placed in effect.

It is further recommended that members of component societies who are not affiliated with any approved local organization agree to accept payment for services rendered subscribers of approved local organizations on the basis of the fees usually charged persons in similar financial circumstances, using the schedule of the Oregon State Industrial Accident Commission as a guide.

When a local organization approved by a component society is authorized to extend its activities into the territory of a neighboring component society, it is recommended that the local organization and the component society in such additional territory enter into a definite agreement with respect to the fees to be paid members of that society.

SERVICES OF SPECIALISTS

The bulk of the professional services required under special plans of medical care for low-wage industrial groups will be rendered by general physicians and surgeons in the local community. Nevertheless, complete service under such plans will require the services of specialists.

5352 The following recommendations with respect to providing the services of specialists by local organizations are made:

1. That the services of specialists be provided on the recommendation of the attending physician and the approval of the governing body of the local organization, or a committee or administrative officer designated by the governing body.
2. That subscribers be not permitted to consult specialists on their own initiative, unless the specialist elects to serve on the panel of general physicians.
3. That the fees paid specialists approximate, as nearly as possible, the fees in private practice, except when the specialist elects to serve on the panel of general physicians, in which case the general fee schedule should apply.

HOSPITALIZATION, DRUGS, AND DENTISTRY

One of the defects of existing local plans of medical care, which, to some extent, have inevitably followed the pattern of the commercial hospital associations, is the inclusion of hospitalization, drugs, and a limited amount of dental service. The inclusion of these services, in effect, makes the physician-members of the local organization the "insurer" for all the services, their compensation consisting of the amount available after all other services have been paid for.

The policy and program of the Society contemplates the ultimate elimination of hospitalization, drugs, and dental service from approved local plans and the limiting of such plans to supplying physicians' services alone. When these services are eliminated, a reduction in the fees of subscribers of local organizations should be made.

The Oregon Association of Hospitals is interested in establishing a plan of group hospitalization. When such a plan is evolved and it is feasible to place it in effect, hospitalization should be dropped from local medical plans. At the same time, drugs and dental service should be eliminated.

Until these adjustments can be made, it is recommended that local organizations continue to provide these services under terms and conditions worked out in mutual cooperation with the representative organizations of the hospitals and the pharmaceutical and dental professions.

INSURANCE REQUIREMENTS

Local organizations, established to provide medical care to low-wage industrial groups, whether organized as a

partnership or corporation, should make certain that the following forms of insurance are obtained:

1. An individual malpractice insurance policy for each participating physician.

5353 2. A policy protecting the organization itself against claims alleging negligence, which should also contain a so-called "contingent liability" clause protecting employers, who enter into contracts in behalf of their employees, from claims arising from the negligence of the organization while rendering or in failing to render service.

3. A performance bond guaranteeing that the service specified in the organization's contracts will be provided to the subscribers.

It is recommended that each participating physician have an individual policy for minimum limits of $10,000–$30,000 ($10,000 for a single claim—$30,000 for claims during a premium year). Some participating physicians, because of the nature of their practice, may desire higher limits.

The limits of the policy protecting the organization against claims for negligence should vary in accordance with the number of subscribers under contract and other local factors.

It is recommended that the performance bond be in the amount of $10,000.

In order that local organizations may obtain the advantages of the lower rates made possible by the existence of sufficient "spread", it is the policy of the Bureau of Medical Economics that all affiliated local organizations carry their association insurance in one company, preferably the company cooperating in the Society's plan of malpractice insurance. This policy will also ensure to each local organization the additional advantages of the existing machinery for the defense and prevention of suits. It will obviate, also, controversies between two or more insurance companies as to which of them is responsible for the investigation, defense, and indemnity of claims or suits against a local organization and any of its physician-members.

COST ACCOUNTING RECORDS

In order to keep its operations on a secure financial foundation, it is important that each local organization install and maintain an adequate cost accounting system.

It is recommended that records be kept to show costs as follows:

1. Costs incurred under non-occupational coverage and occupational coverage, computed separately under the following classifications:

A. Direct Service Costs

a. Medical and Surgical

1. Physician members
2. Emergency—non-members
3. Referred—non-members

b. Dental
c. Nursing
d. Hospital
e. Ambulance
f. Prescriptions
g. Appliances
h. Laboratory
i. Miscellaneous

5554 B. Indirect Service Costs

a. First aid

1. Drugs and supplies
2. Cabinet servicing
3. Nursing

C. Office and Administrative Costs

a. Legal expense
b. Liability insurance and bonds
c. Postage
d. Rent
e. Salaries
f. Stationery, printing, and supplies
g. Taxes
h. Telephone and telegraph
i. Traveling expense
j. Unemployment and Social Security Insurance
k. Miscellaneous

2. Total costs incurred under non-occupational coverage and occupational coverage, computed for each of the following classifications:

a. Governmental

b. Manufacturing
c. Personal service
d. Public utilities
e. Retail merchandising
f. Transportation

3. Total cost incurred for service to male subscribers and female subscribers, computed separately as to sex and for non-occupational coverage and occupational coverage.

4. Costs incurred for service to subscribers in each employed group, computed separately for non-occupational and occupational coverage.

Each local organization should file with the Bureau of Medical Economics a quarterly report of its costs computed in accordance with these recommendations.

Each local organization should provide for an audit of its accounts at least once each year and file a copy of the audit report with the Bureau of Medical Economics.

PUBLICITY

Approved local plans of medical care for low-wage industrial groups require some publicizing to the local medical profession and the public. In general, all publicity should be in consonance with the ethical standards of the medical profession.

5355 *Publicity to the Medical Profession*

Inasmuch as each local organization is a joint enterprise of all or a substantial majority of the local medical profession, it is important that each physician be kept as fully informed as possible concerning the work of the organization and the problems encountered. It is likewise desirable that the experience of each local organization be reported from time to time to the entire medical profession of the state.

The following media are suggested for these purposes:

1. Monthly or quarterly bulletins to the physician-members of the local organization and perhaps to all the members of the component medical society.

2. Monthly, quarterly, semi-annual, or annual reports at meetings of the physician-members and perhaps at meetings of the component medical society, giving ample time for free discussion.

3. Periodic reports in the Oregon Section of "Northwest Medicine".

4. Periodic reports to the Bureau of Medical Economics.

5. Reports at meetings of the House of Delegates of the Oregon State Medical Society.

Publicity to the Public

In issuing publicity to the public concerning local plans, the utmost caution should be exercised to avoid the implication that the medical profession is engaged in a campaign to induce low-wage industrial groups to enter the plan. The only justification for any special plan is the sincere desire of physicians to assist low-wage earners to meet the economic problems of medical care confronting them under present-day conditions.

Because testimonials smack of quackery, it is recommended that they be not used as a means of publicity. It is also recommended that every effort be made to guard against the use of over-statements and extravagant promises which might mislead the public in its understanding of the services offered.

It is recommended that publicity to the public, so far as possible, be uniform for all affiliated local organizations. Until uniformity with regard to services provided, rates, and other details is accomplished, some variation is publicity will be necessary. All publicity should be recommended by or cleared through the Bureau of Medical Economics and receive the prior approval of the Council.

It is recommended that all such publicity be limited to statements of the following facts about the plan:

1. A statement that the purpose of the plan is to contribute to the public welfare, and particularly to assist low-wage industrial groups, by making medical services available through the application of the insurance principle by budgeted, monthly payments which low-wage earners can reasonably meet from their limited incomes.

5356 2. A statement of subscriber eligibility.

3. A statement that under the plan all subscriber fees, except necessary administration costs, are used to provide medical care.

4. A brief, simple, and straightforward statement of the services provided.

5. A similar statement regarding the services excluded.
6. A statement concerning the proportion of local physicians whose services are available, and requesting anyone desiring to know whether his physician is participating to communicate with the office of the local organization for such information.
7. A statement of the rates charged subscribers.
8. A statement giving the name, office address, and telephone number of the organization.

The following media are suggested in providing publicity to the public:

1. Pamphlets outlining the details of the plan, for distribution among low-wage industrial groups who desire to consider the plan.
2. Stories in the local newspapers.
3. Radio talks.
4. Talks before civic organizations by members of the component society.

Situations may sometimes arise in which local organizations conclude that special publicity is needed. Under these circumstances, it is recommended that the local organization submit the matter to the Bureau of Medical Economics, with a request that it prepare suitable publicity to meet the situation, such publicity to receive the prior approval of the Council.

If unusual emergencies, demanding immediate publicity, develop, local organizations may find it necessary to act without the counsel of the Bureau and the Council. However, all such emergency publicity should conform to the Principles of Medical Ethics and the principles contained in those Approved Policies and Procedures.

FINANCING THE BUREAU OF MEDICAL ECONOMICS

During the present preliminary period of organization, the nominal expenses of the Bureau have been met from the current funds of the Society. To date, its principal function has been to act in an advisory capacity to existing and proposed local organizations, particularly with respect to legal procedure.

However, as its research and supervisional activities and its services to the affiliated local organizations increase, the Bureau will need more substantial financial support. It is recommended, therefore, that provision be made for adequately financing the activities of the Bureau jointly by a budgetary allotment from the Oregon State Medical Society, together with a reasonable annual contribution from each approved local organization, based upon a small percentage of its gross income.

Plaintiff's Exhibit 673

5357 OREGON STATE MEDICAL SOCIETY
Medical-Dental Building
Portland, Oregon

December 11, 1939

Dr. Melvin E. Johnson, Secretary
Coos-Curry Counties Medical Society
North Bend, Oregon

Dear Dr. Johnson:

At the meeting of the Council of the Oregon State Medical Society on December 3rd, there was extended discussion concerning the unethical practices of a number of physicians in various parts of the state in connection with unapproved plans of prepaid medical care.

These unethical practices are in conflict with the program of the Society to meet the problem of providing medical care to low-wage industrial workers. No doubt you are familiar with the comprehensive plan of the Society to supply medical care to this group.

Under the Society's program, approved medical service bureaus are operating in a number of counties, including Clackamas, Coos, Jackson, Lane, Multnomah, Marion, Tillamook, and Union Counties. By special permission of the Council, plans of prepaid medical care are being offered in Columbia, Hood River, Wasco, Washington, and Yamhill Counties through one of the approved bureaus operating in the counties first named. It will thus be seen that the program of the Society is already reaching into 13 of the 36 counties, including a majority of the industrial centers of the state. Approximately 30,000 employees are now covered under this program.

Plans are under way to provide similar prepaid medical service in a number of other counties, either through the organization of additional local medical service bureaus, or through one or the other of the existing bureaus. The activities of these approved organizations are coordinated through affiliation with the Bureau of Medical Economics of the Oregon State Medical Society.

The various approved local medical service bureaus are doing splendid work in meeting the problem of supplying medical care to the low-wage industrial worker. However, their effectiveness in accomplishing this objective has been and is being impeded by the unethical practices of some physicians in the communities where approved bureaus are in operation.

For this reason, at its meeting on December 3rd, the Council adopted a motion to the effect that these unethical practices should be scrutinized by the local societies and that each local society should take disciplinary action against any of its members whose practices are found to be unethical. Unless the local societies invoke proper disciplinary proceedings against members engaged in such practices, their affiliation with the Oregon State Medical Society, as component societies, will be jeopardized.

The motion adopted by the Council further provided that the local societies should institute disciplinary proceedings by January 1, 1940.

Please bring this matter to the attention of your Society for appropriate action.

ry sincerely yours,

OREGON STATE MEDICAL SOCIETY

By (Signed) MORRIS L. BRIDGEMAN
Secretary

Plaintiff's Exhibit 674

5358 Oregon State Medical Society

BUREAU OF MEDICAL ECONOMICS

METHOD OF PAYMENT AND FEE SCHEDULE TO BE APPLIED IN PROVIDING MEDICAL CARE TO LOW-WAGE INDUSTRIAL GROUPS

(Adopted by the Executive Committee of the Council January 24, 1940)

The established policy of the Oregon State Medical Society provides for the organization by the local societies of special plans to provide medical care to low-wage industrial workers.

Under the Society's program, approved medical service bureaus are operating in Clackamas, Coos, Jackson, Klamath, Lane, Multnomah, Marion, Tillamook, and Union Counties. By special permission of the Council, plans of prepaid medical care are also being offered in Columbia, Douglas (part), Hood River, Linn, Wasco, Washington, and Yamhill Counties through one of the approved bureaus organized in the counties first named. The program of the Society, therefore, is already reaching into 16 of the 36 counties, including a majority of the industrial centers of the state. The approved local medical service bureaus are doing splendid work in meeting the problem of supplying medical care to the low-wage industrial worker. Approximately 30,000 employees are now being served by these approved bureaus.

Plans are under way to provide similar prepaid medical service in a number of other counties, either through the organization of additional local medical service bureaus, or through one or the other of the existing bureaus. The activities of these approved organizations are coördinated through affiliation with the Bureau of Medical Economics of the Oregon State Medical Society.

The contracts written by these bureaus usually provide for certain services when the subscriber is away from his home community. Also, subscribers employed by truck lines, oil companies, road contractors, and other employers whose operations are not confined to a single locality, frequently need to obtain medical care from physicians in various parts of the state who have no direct affiliation with any of the approved local organizations of which these employees may be subscribers.

The Oregon State Medical Society urges all the members of the component societies to cooperate in making their services available to subscribers of approved local organizations who apply to them for medical care when away from their home communities.

The fundamental purpose of special plans of medical care for low-wage industrial workers is to enable these workers to obtain medical services by the payment of monthly fees commensurate with their modest incomes. This objective presupposes that professional fees will be nominal and somewhat below customary charges.

The Executive Committee of the Council has adopted as a recommendation the attached special reduced fee schedule as a base schedule to be applied in payment for services rendered to low-wage industrial workers under special plans of medical care offered by approved medical service bureaus. The amount of funds available to the various approved local organizations for payment of physicians' services, consist of the monies available after all other services, including hospitalization, drugs, and administration, have been paid for and, therefore, fluctuate from quarter to quarter. *For this reason, payment for services will necessarily be made by the various local medical service bureaus on a percentage of the stated schedule in accordance with the funds available at the close of the quarter.*

5359 *This arrangement applies only to services rendered to subscribers of approved local medical service bureaus by physicians outside the district served by the particular bureau of which the patient is a subscriber. It is recommended that the members of each component society, within whose jurisdiction an approved local medical service bureau is in operation, affiliate themselves directly with the local bureau.*

The services provided subscribers when away from their home communities ordinarily are limited to emergency care. Authorization for other services must be obtained in advance from the bureau of which the patient is a subscriber.

In order that the Bureau of Medical Economics and the various approved medical service bureaus may know whether the members of the component societies are willing to make their services available on this basis, each member is requested to indicate in writing his desire to cooperate by filling out a form and returning it to the Bureau. The Bureau of Medical Economics will provide

the medical service bureaus with a list of cooperating members. The members on this list will be eligible to render services to subscribers of all the approved local medical service bureaus under the conditions provided in their respective contracts.

5360 Oregon State Medical Society

BUREAU OF MEDICAL ECONOMICS

Special Reduced Fee Schedule
(Tentative)

TO BE APPLIED IN PAYMENT FOR SERVICES RENDERED TO LOW-WAGE INDUSTRIAL WORKERS UNDER SPECIAL PLANS OF MEDICAL CARE OFFERED BY THE FOLLOWING APPROVED LOCAL ORGANIZATIONS AFFILIATED WITH THE BUREAU OF MEDICAL ECONOMICS:

Eugene:
Eugene Hospital and Clinic
Pacific Hospital Association
These bureaus serve Lane County.

Klamath Falls:
Klamath Medical Service Bureau
This bureau serves Klamath County.

La Grande:
La Grande Hospital Association
This bureau serves Union County.

Medford:
Southern Oregon Medical Service Association
This bureau serves Jackson County.

North Bend:
Coos Bay Hospital Association
This bureau serves Coos County and a part of Douglas County on the coast.

Oregon City:
Association of Clackamas County Physicians
This bureau serves Clackamas County.

Portland:
Multnomah Medical Service Bureau
This bureau serves Multnomah, Washington, Columbia, Hood River, and Wasco Counties.

Salem:

Physicians and Surgeons Hospital Association
This bureau serves Marion, Yamhill, and Linn Counties.

Tillamook:

Tillamook Hospital Association
This bureau serves Tillamook County.

(The rest of the exhibit consists of actual fee schedules.)

Plaintiff's Exhibit 675

5366 THE OREGON STATE MEDICAL SOCIETY

Makes the following statement of its policies and activities

The Principles of Ethics of this Society were conceived in a spirit of public welfare and service. The practical application of the Golden Rule has been fostered in the relationships existing between doctor and patient and among the physicians. It is unprofessional and contrary to the public welfare for a physician to dispose of his services under conditions which make it impossible to render proper service to his patient or which interfere with reasonable competition among physicians in a community.

In considering special plans to meet the needs of particular groups of our people, the Society observes these and other fundamental and ethical principles. For example, no third person is permitted to come between the patient and his physician and dictate less extensive diagnosis and treatment than the physician believes is in the best interest of the patient. Moreover, the patient's right to chose his physician and hospital is respected.

The Society has sponsored or approved special plans by which the services of its members, numbering more than 800 of the physicians of the state, have been made more readily available to people without means or in low-income groups. More than 250,000 people are receiving or are eligible to receive medical care under a number of different plans which serve several large classes of beneficiaries.

Under the Society's program to provide medical care to low-income groups, approved medical service bureaus are

operating in 13 counties. These approved bureaus are non-profit organizations established and operated by the physicians in each local community to provide protection to wage-earners in illness and injury through the payment of small monthly premiums. All subscribers' premiums, except modest, necessary administration costs are used to provide medical and hospital services.

In contemplation of the possible extension of the services of its members to these groups, the Society has made extensive studies of many and various pre-paid plans of medical care. The Society will not approve any of these plans until it has been clearly shown that they are in the best interests of the public and will maintain high standards of medical practice.

The Society is prepared to approve medical indemnity insurance plans which assist the subscriber to pay for his medical and hospital services, wherein payments are made directly to the subscriber.

Regardless of what special plans are adopted to provide prepaid medical care, or whether the plans are conducted by private, public or governmental agencies, it must be realized that no such plan can provide that personal and individualized service which most people expect under private medical practice.

For Information Regarding Approved Prepaid Medical Service Plans, Communicate with the

OREGON STATE MEDICAL SOCIETY
Medical-Dental Building
Portland, Oregon

It is certified that the above advertisement was copied from the Oregonian Newspaper, Sunday issue of 12/17/39, page 5. The Journal Newspaper of Portland, Oregon, 12/17/39, page 4.

(Signed) W B BELFREY

Plaintiff's Exhibit 676

5367 MINUTES

March 9, 1940

The regular monthly meeting of the Council of the Oregon State Medical Society was held at the Mallory Hotel on Saturday, March 9th, at 6:00 P.M.

The following members of the Council were present: Charles E. Hunt, Charles E. Sears, Karl H. Martzloff, George E. Henton, F. K. Power, Morris L. Bridgeman, John H. Fitzgibbon, Guy L. Boyden, Earl M. Anderson, L. M. Spalding, W. W. Baum, R. W. Hemingway, C. W. McCain, and L. S. Kent.

Charles P. Wilson, G. D. Carlyle Thompson, John J. Coughlin, legal counsel, the executive secretary, and the assistant to the executive secretary were also present.

Upon motion duly made and seconded, it was voted to dispense with the reading of the minutes of February 10th and to adopt them in the form in which they had previously been mailed to the members.

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5368 * * * * *

President Hunt called for the report of the Executive Committee. The executive secretary reported the following actions of the committee:

1. Voted to recommend to the Council that the Dufur Medical Plan be not approved or disapproved, but considered as an experiment.

* * * *

5369 Many official and voluntary agencies in the state are interested in health. Many valuable contributions have been made in this field. The Oregon State Medical Society desires to cooperate with and assist all these agencies. In view of the fact that public health problems represent a field of specialized endeavor where a background of public health and medical training are essential, it is important and desirable that all health activities be correlated in the interest of efficiency, the avoidance of duplication, the conservation of funds, and, most important of all, the public welfare. Therefore, the Oregon State Medical Society advocates that all programs that relate to health be developed in close cooperation with the official health agencies; namely, the state, county, and city health

departments. The Society further advocates that all medical phases of all programs be administered through these agencies.

Upon motion duly made and seconded, it was voted that this recommendation be adopted.

3. Voted to recommend to the Council that the joint committee on the medical care of low-wage industrial groups of the Lane County Medical Society be authorized to use the name, "The Bureau of Medical Economics of the Lane County Medical Society".

Upon motion duly made and seconded, it was voted that this recommendation be adopted.

4. Voted to recommend to the Council that a letter be addressed to G. I. Hurley, chairman of the joint committee on the medical care of low-wage industrial groups of the Lane County Medical Society, pointing out that on June 3, 1939, a special privilege was extended to that society, in that temporary approval was granted to two local organizations providing medical care to low-wage industrial groups in a single community, with the idea in mind that efforts would be made to effect eventually an amalgamation of the two organizations; and further pointing out that almost a year has elapsed since this temporary approval was granted in which time it was hoped that an amalgamation would be well under way, and inquiring as to what steps have been taken toward amalgamation.

Upon motion duly made and seconded, it was voted that this recommendation be adopted.

5. Voted to recommend to the Council that an investigation be made of the feasibility of the affiliation of the Tillamook Hospital Association with the Physicians and Surgeons Hospital Association of Salem.

Upon motion duly made and seconded, it was voted that this recommendation be adopted.

5370 The assistant to the executive secretary presented a report of his recent conferences with the Committee on the Medical Care of Low-Wage Industrial Groups of the Lane County Medical Society and representatives of the Southern Oregon Medical Service Association, the Klamath Medical Service Bureau, the Coquille Medical Service

Bureau, the Coos Bay Hospital Association, and the Tillamook Hospital Association.

He also reported that 300 of the 1050 active physicians in the state had returned the form indicating their willingness to provide service to subscribers of approved local organizations affiliated with the Bureau of Medical Economics when these subscribers are away from their home communities, under the conditions set forth in the Method of Payment and Fee Schedule to be Applied in Providing Medical Care to Low-Wage Industrial Groups, adopted by the Executive Committee of the Council on January 24, 1940.

He read a letter from the Physicians and Surgeons Hospital Association of Salem in which it was suggested that the Bureau of Medical Economics obtain from the State Insurance Commission a ruling concerning the legal right of hospital associations to eliminate from coverage individual subscribers who are covered under regular group contracts. Following considerable discussion, upon motion duly made and seconded, it was voted that the letter be filed and that no action be taken concerning it.

Dr. Hemingway discussed the operation of the Lumbermen's Hospital Association owned by the Brooks-Scanlon Lumber Company and the Shevlin-Hixon Lumber Company at Bend. He also discussed the situation with respect to other organizations engaged in contract practice in the Bend district. Upon motion duly made and seconded, it was voted that, following a request from the Central Oregon Medical Society, the assistant to the executive secretary be authorized to make a trip to Bend for the purpose of surveying conditions, with a view to the development of a plan whereby the local physicians could offer a plan of prepaid medical care to low-wage groups.

Mr. Coughlin presented an analysis of the recent decision of the United States Circuit Court of Appeals in connection with the Anti-Trust proceedings involving the American Medical Association and other defendants. He pointed out that it was important that the component medical societies proceed in accordance with their respective constitutions and by-laws in dealing with members whose conduct is regarded as unethical.

Upon motion duly made and seconded, it was voted that all the members of the Society be informed concerning the significance of this decision and the points stressed by Mr. Coughlin as important in dealing with unethical practices.

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Plaintiff's Exhibit 677

5372 MINUTES

May 11, 1940

The regular monthly meeting of the Council of the Oregon State Medical Society was held at the Mallory Hotel on Saturday, May 11th, at 6:30 P.M.

The following members of the Council were present: Charles E. Hunt, Charles E. Sears, George E. Henton, F. L. Ralston, Morris L. Bridgeman, J. E. Buckley, John H. Fitzgibbon, R. W. Hemingway, C. T. Hockett and L. S. Kent.

Charles P. Wilson, Richard B. Adams, John H. Besson, G. I. Hurley, John J. Coughlin, legal counsel, the executive secretary, and the assistant to the executive secretary were also present.

Upon motion duly made and seconded, it was voted to dispense with the reading of the minutes of April 20th and to adopt them in the form in which they had previously been mailed to the members.

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5373 • • • • •

President Hunt called for the report of the Executive Committee of the Bureau of Medical Economics. The executive secretary reported the following action of the Committee:

> Voted to recommend that the Council authorize the appointment of a committee of three members to enter into negotiations with R. J. Pilkington and Arthur Van Dusen, with a view to the development of a plan to take over the Industrial Hospital Association through the various approved local medical service bureaus.

Upon motion duly made and seconded, it was voted that this recommendation be adopted.

President Hunt announced the appointment of George E. Henton, W. W. Baum, and F. L. Ralston as the committee to carry on the negotiations with R. J. Pilkington and Arthur Van Dusen.

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5374 3. That the House of Delegates of the Minnesota State Medical Association has thoroughly in-

vestigated the matter and finds the Mayo Clinic and Foundation innocent of any wrong-doing.

Unfortunately this information was not received until just recently. The Council of the Oregon State Medical Society regrets any injustice that may have been done and recommends that the American Medical Association and all the constituent state medical associations be informed of this action at once.

Upon motion duly made and seconded, it was voted that this statement be approved.

Dr. Buckley, Treasurer, presented a report of the present status of the finances of the Society.

The assistant to the executive secretary presented a report of recent activities of the Bureau of Medical Economics, particularly with respect to the possibility of reorganizing the Coos-Bay Hospital Association to include affiliation by all the members of the Coos and Curry Counties Medical Society who desire to participate.

President Hunt reported that a vacancy existed in the Executive Committee of the Bureau of Medical Economics due to the fact that the Multnomah Medical Service Bureau had selected John Besson to replace S. H. Sheldon, who had formerly been a member of the Committee, as its representative in the Bureau. Upon motion duly made and seconded, Dr. Besson was elected to replace Dr. Sheldon as a member of this Committee.

Dr. Sears, Chairman of the Committee on Cancer Study, reported concerning recent activities of the Committee. He particularly called attention to the excellent work of Mrs. Frances C. Hosford, Commander for Oregon of the Woman's Field Army of the American Society for the Control of Cancer, in developing local organizations and in raising funds for the purpose of promoting the education of the public with respect to cancer. Dr. Sears pointed out the desirability of having a Committee on Cancer Study in each component society to act in an advisory capacity to the local organizations of the Woman's Field Army. He suggested that each component society be asked to appoint such a committee. Dr. Sears pointed out the need of postgraduate education among physicians in the early diagnosis of cancer and suggested that such instruction should play an important part in the Society's program of postgraduate education.

Dr. Bridgeman of the Committee on Postgraduate Education, presented the following report:

The Committee on Postgraduate Education has given careful consideration to the type of program of instruction to be offered to the medical profession of the state.

The Committee submits the following recommendations:

1. That for the next three years the instruction offered by the Society consist of a centralized course to be offered in connection with the annual session.

5375 2. That the Society act as a clearing house of information concerning all sources of postgraduate instruction in the state for the purpose of avoiding duplication but not to impose its desires on district medical societies and other organizations offering postgraduate instruction.

3. That the Society assume the responsibility of publicizing to the medical profession of the state all the available forms of postgraduate instruction through "Northwest Medicine" and other proper media.

Respectfully submitted,

Karl H. Martzloff, Chairman
H. J. Clements
Morris L. Bridgeman

Upon motion duly made and seconded, it was voted that this report be adopted.

A report, submitted by Raymond E. Watkins, Chairman of the Committee on Maternal Welfare, was read. The report stated that since the Committee was created in 1935, the maternal death rate in Oregon has decreased from 5.5 to 2.5 per 1000 live births.

Upon motion duly made and seconded, it was voted that this report be accepted.

A letter from the Tillamook County Medical Society, announcing the adoption of a resolution requesting the Council to authorize the extension of the activities of the Physicians and Surgeons Hospital Association of Salem to the territory embraced by the Tillamook County Medical Society, was read. Upon motion duly made and seconded, it was voted to authorize the extension of the activities of the Physicians and Surgeons Hospital Association of Salem to the territory embraced by the Tillamook County Medical Society.

There being no further business, the meeting was adjourned.

MORRIS L. BRIDGEMAN
Secretary

Plaintiff's Exhibit 678

5376

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